



**WORKING VENTURES  
CANADIAN FUND INC.**

**Annual Report 1996**



**Canada's Leading Labour Sponsored  
Investment Fund is sponsored by the  
Canadian Federation of Labour**



## Profile at August 31, 1996

**Business:** Labour Sponsored Investment Fund

**Date of Inception:** March 1, 1990

**Sponsor:** Canadian Federation of Labour

**Objective:** To make investments in small and medium-sized Canadian growth businesses with the objective of achieving long-term capital appreciation for shareholders. Successful investment in these dynamic businesses will translate to important benefits to the Canadian economy in the form of increased employment, sales, exports and spending on research and development.

**Offices:** Toronto, London and Ottawa, Ontario; Saskatoon, Saskatchewan; Saint John, New Brunswick; Halifax, Nova Scotia

**Head Office:** Toronto, Ontario

**Assets:** \$861,251,000

**Share Price:** \$13.62

**Shareholders:** 147,772

**Class A Shares Issued and Outstanding:** 63,240,000

**Current Venture Investment Portfolio at Fair Value:** \$205,394,000 in 87 companies

### Annual Meeting of Shareholders

**Date:** Tuesday, November 19, 1996

**Time:** 2:00 p.m.

**Location:** News Theatre  
98 The Esplanade  
Toronto, Ontario  
M5E 1A9

#### News Theatre Inc. of Toronto, Ontario

Working Ventures is pleased to support News Theatre Inc. by being one of the first corporations to use these outstanding new facilities for our annual general meeting. Working Ventures recently invested in News Theatre Inc. and the capital is being used to finance equipment purchases and other start-up costs associated with making News Theatre a reality.

News Theatre Inc. provides public and private sector clients with a multi-media theatre for corporate conferences and an audio/visual distribution system which delivers client events live and direct to major newsrooms throughout Greater Toronto and by satellite to sites across North America and around the world. News Theatre will also host special events, annual meetings and video conferences, as well as provide media training and corporate video production services.





## Table of Contents

**Introduction** Page 1

•

**Chairman's Letter** Page 2

•

**President's Letter** Page 3

•

**Investment Department Report** Page 6

•

**Venture Investments** Page 7

•

**Marketing Department Report** Page 17

•

**Administration Department Report** Page 19

•

**Directors** Page 20

•

**Officers** Page 21

•

**Management's Responsibility for Financial Reporting** Page 22

•

**Auditors' Report** Page 23

•

**Financial Statements** Page 24



## Financial Highlights at August 31, 1996

### Income Statement Highlights

**Income** **(\$millions)**

Interest income - marketable securities	\$36.2
Venture and other income	8.5
<b>Total income</b>	<b>44.7</b>
Total income is derived mainly from interest on short term investments and to a lesser but increasing extent from investment income earned on the venture portfolio.	
Expenses	(14.4)
<b>Income before income taxes and other taxes and penalties</b>	<b>30.3</b>
Income taxes	(8.8)
Other taxes and penalties	(10.3)
<b>Net income</b>	<b>\$11.2</b>
Earnings per Class A Share	\$0.22

Earnings per Class A Share represent net income divided by the weighted average number of Class A Shares outstanding during the year.

### Statement of Financial Position

Short-term investments	36.8%	\$317.4
Bonds	35.4%	304.7
Venture investments	23.9%	205.4
<b>Total investments</b>	<b>96.1%</b>	<b>827.5</b>
Other assets (net of liabilities)	3.9%	33.8
<b>Net assets</b>	<b>100.0%</b>	<b>\$861.3</b>

### Share capital

Subscriptions, net of redemptions, at cost	\$818.9
Retained earnings and realized gains capitalized	36.0
<b>Total share capital</b>	<b>854.9</b>
Retained earnings	2.4
Undistributed net realized gains on sale of investments	7.3
Unrealized appreciation (depreciation) of investments	(3.3)
<b>Shareholders' equity</b>	<b>\$861.3</b>
Net asset value per share (share price)	\$13.62

The share price, or net asset value per share, is based on the shareholders' equity divided by the number of shares issued and outstanding. It represents the value of Working Ventures' assets to shareholders on a per share basis. Working Ventures is wholly owned by its shareholders. There is no management company taking profits out of the Fund.





Working Ventures Canadian Fund is Canada's leading labour sponsored investment fund. It is a unique mutual fund; one that invests in small and medium-sized Canadian businesses and is committed to financial strength, customer service and long-term capital appreciation for shareholders. The Fund combines the growth potential of traditional venture capital with the easy accessibility of mutual funds, while offering investors immediate tax credits and the potential for above average investment returns.

Working Ventures is helping build a better Canada by providing businesses with the capital to grow and prosper which, in turn, sustains and creates jobs, generates sales revenue, increases exports and increases the level of research and development spending in Canada. Unlike most venture capital funds, which raise substantial funds from a small group of institutional investors and wealthy individuals, Working Ventures raises capital publicly from thousands of small investors across the country. This gives all Canadians the opportunity to invest in our economy and share in the wealth generated by Canada's economic growth. Sponsored by the Canadian Federation of Labour, the Fund is committed to building a lasting and productive relationship between labour, business and government for the benefit of all Canadians.

The federal and provincial governments have reaffirmed their commitment to the initiative of the Canadian Federation of Labour by continuing to support the labour sponsored investment fund program in their respective budgets earlier this year. The federal government now provides a 15% tax credit on the first \$3,500 invested each year. The Ontario, Saskatchewan and Nova Scotia governments also offer a 15% provincial tax credit on the first \$3,500 invested each year; New Brunswick and Prince Edward Island continue to provide a 20% provincial tax credit on the first \$5,000 invested each tax year.

The Fund has raised over \$360 million during the past year alone. There are now over 147,000 Canadians who have invested in Working Ventures. By putting a temporary halt on sales, as announced on June 5, 1996, Working Ventures is now concentrating its efforts on venture investment activity, to add to the \$230 million already invested in 94 Canadian businesses since the Fund's inception.

Working Ventures invests a maximum of \$10 million in any one company. With \$861.3 million under administration, the Fund is able to broadly diversify its investments, providing a wide variety of businesses with capital that allows them to grow, expand their activities and increase their revenues. Working Ventures typically takes less than 50% ownership in these businesses, and holds its investments long enough to give the businesses sufficient time to reach their potential.

Further diversification is achieved by having no more than 20% of the Fund's total assets invested in any one industry. Currently, Working Ventures has investments in the manufacturing, consumer, biotechnology, telecommunications, electronics, transportation, computer, medical/health and industrial automation sectors, as outlined later in this report.

Working Ventures' Investment Department has responsibility for sourcing and managing venture capital investments, and can be reached at (416) 934-7777 or 1-800-463-1652. For all other inquiries and requests, please call the Investor and Dealer Service group within our Marketing Department at (416) 922-5479 or toll-free at 1-800-268-8244. We welcome your comments.





## Investing in Canada's Future



James A. McCambly, Chairman of the Board

### Dear Fellow Shareholder:

As Chairman of the Board of Directors of Working Ventures and President of the Canadian Federation of Labour, I am pleased to report on the historic progress that we have made - together in contributing to Canada's prosperity.

This year's annual report tells a remarkable success story. The following pages are proof of the exciting investments that we have made in promising

enterprises from coast to coast. As shareholders, you can be proud of being a part of this accomplishment and investing in Canada's future.

The Canadian Federation of Labour had a vision of a viable investment vehicle which would permit Canadians to participate in the job creation associated with emerging Canadian companies. We wanted labour to be a partner in the free enterprise system, provide funding for businesses, help keep and create jobs, and generate wealth in Canada. Only six years ago this vision became Working Ventures. To date, Working Ventures has invested over \$230 million in 94 Canadian businesses, supporting 9,746 jobs. As one of 147,000 shareholders, you have contributed to job

creation while sharing in the wealth generated by this economic growth.

Working Ventures offered investors an unprecedented tax credit, as well as the potential for above-average rates of return. The Fund provides shareholders, having only a small amount to invest, with an opportunity to benefit from professional investment management by people who have extensive experience in the private equity markets-the same opportunity that a millionaire would have.

While the Working Ventures Board of Directors always focuses on achieving capital appreciation for shareholders, other products of our investments are of significant interest to all Canadians. Investments produce thousands of jobs and millions of dollars in Canadian exports and spending on research and development. The Canadian Federation of Labour is proud of these achievements and believes Working Ventures is an excellent way for the average Canadian to contribute to national prosperity.

Collectively, we make a real difference.

Sincerely yours,

James A. McCambly, C.M.

Chairman of the Board, Working Ventures Canadian Fund  
President, Canadian Federation of Labour



## Working Ventures is proudly sponsored by the Canadian Federation of Labour

### Canadian Federation of Labour - History and Character

The Canadian Federation of Labour (CF of L) was founded in 1982 to provide a collective assembly to focus labour involvement in national and provincial affairs. This national labour body, comprising of 10 labour unions, now represents approximately 220,000 members from the construction, manufacturing, mining, communications, transportation, health care, and public service sectors of the Canadian economy. This membership has strived to develop a non-partisan political approach to labour relations that continues to stress non-adversarial methods of problem solving with positive, well-researched contributions to policy debate. Mr. James A. McCambly has served as President of the CF of L since its founding.

One of the principal goals of the CF of L is to create a partnership based on cooperation and commitment among labour, business, and government. In order to achieve this goal in 1984 the CF of L developed the concept of Working Ventures as a vehicle for the cooperative investments of working Canadians. In establishing the Fund, the CF of L was motivated by

the belief that there would be many benefits from the Fund's operations which would accrue to the Canadian economy generally, investee companies and shareholders specifically. These benefits result from average Canadians investing in Canada's future, creating wealth, jobs and exports. The CF of L does not receive any financial gain from the operation of Working Ventures.

### Affiliated Unions of the Canadian Federation of Labour:

International Association of Heat and Frost Insulators and Asbestos Workers, International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, International Union of Bricklayers and Allied Craftsmen, International Brotherhood of Electrical Workers, International Union of Elevator Constructors, International Union of Operating Engineers, Operative Plasterers' and Cement Masons' International Association, United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Manitoba Association of Health Care Professionals, and the Canadian Office Employees Union.





## A Year of Achievement



Ron Begg, President

### Management Report to Shareholders:

Working Ventures experienced extraordinary growth in 1996, further strengthening its leadership position in the venture capital industry.

Both Working Ventures and our sponsor, the Canadian Federation of Labour, are grateful for, and proud of, the tremendous support we have received in the past year from our

shareholders and the financial community, as evidenced by our strongest year of asset growth.

### Financial Summary

Working Ventures continues to rank as the second largest venture capital fund in Canada. Shareholders' equity increased by 73% from August 31, 1995 to \$861.3 million at our fiscal year end, August 31, 1996. This growth is important not only to the Fund but also to the Canadian economy, as Canada needs venture capital funds with deep pockets to support Canadian businesses as they compete with their U.S. counterparts in an increasingly competitive North American economy. A true venture capital fund must have an appetite for risk, and the size of Working Ventures' asset base now allows this, by providing the opportunity to broadly diversify our portfolio.

The Fund's shareholder base also experienced significant growth this year, from 90,000 Canadians in 1995 to over 147,000 in 1996. The support of both new and existing shareholders signals your approval of our strategies.

The share price increased to \$13.62 at August 31, 1996 from \$13.24 last year, representing an annual return of 2.89%. The three year and five year average annual compounded returns were 3.32% and 3.50%, respectively. The average annual compounded return for the Fund since inception on March 1, 1990 is 4.87%. It is important to note that these figures do not include the impact of the tax credits. Working Ventures' management expense ratio (MER) for the fiscal year was 2.67%, including all investment management and distribution costs. The Fund's ongoing commitment is to keeping the MER within the range of specialty mutual funds. Even though our investment department is many times larger than that of conventional mutual funds, we are still managing expenses at a similar level. When compared to other labour sponsored investment funds, our MER is well below the average.

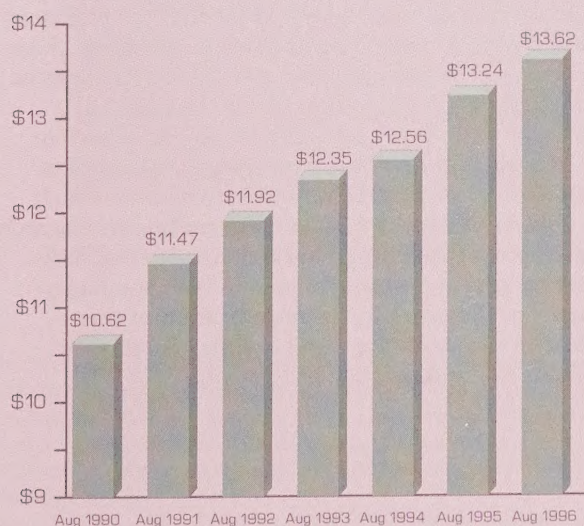
### Venture Investment Activity and Performance

At August 31, 1996, the fair value of the venture investment portfolio stood at \$205.4 million. The pace of venture investing intensified throughout 1996, with an average of \$10 million per month. New investments totalled \$120 million during the year, representing a 50% increase over the previous year. As in the previous year, Working Ventures was required to pay an assessment to the federal government for being behind the investment requirements for several months. The total assessment was \$271,000 or 4/10th of one cent per share.

Looking forward, by March 1, 1997 Working Ventures is required to have an estimated \$432 million invested in eligible venture investments to satisfy its federal investment requirements. In addition, the Ontario budget of May 7, 1996, changed the provincial investment requirements, significantly accelerating the rate at which the Fund has to invest in Ontario. Working Ventures anticipates having to pay additional penalties until it can again meet the required levels of investment. However, it is expected that substantially all of these penalties will be refundable in the future. The Fund has recognized a charge of \$10 million on its financial statements, in anticipation of paying some non-refundable federal penalties.

With regard to performance, a typical venture investment portfolio usually fits a pattern called a "J-Curve". Like the letter "J" the performance dips initially, before beginning to move upwards and produce improved investment returns in later years. Measured by the standard benchmarks that exist in the venture capital industry, Working Ventures' investment portfolio is, to date, performing ahead of expectations.

### Net Asset Value per share







### Investment Department Expansion

Fiscal 1996 was a year of substantial growth for the Investment Department. New branch offices were opened in London and Ottawa, Ontario, Saint John, New Brunswick and Halifax, Nova Scotia, to complement our existing offices in Toronto and Saskatoon and to give Working Ventures a national focus in seeking and managing investment opportunities. As our assets have grown, the Fund has continued to expand its investment management team with top-notch professionals, now numbering 31 Investment Managers and Analysts, including, 11 Chartered Accountants, 10 MBAs, 2 Chartered Financial Analysts and 2 Chartered Business Valuators. This powerhouse of talent is unparalleled in the Canadian venture capital industry and positions the Fund to increase the return potential for shareholders.

### Temporary Halt in Sales

As previously mentioned, Working Ventures had an extraordinarily successful RRSP season, raising slightly over \$360 million between September 1, 1995 and February 29, 1996, more than twice what was anticipated. In light of the unexpected volume of capital raised this past year, and the accelerated investment requirements in Ontario, Working Ventures decided to temporarily halt the sale of shares of the Fund. Several key benefits to shareholders were paramount in making this decision. First of all, temporarily halting sales allows the Investment Department to maintain its high standards in venture capital activity while more quickly increasing the percentage of total assets invested in venture investments. This increases the potential investment returns to our shareholders. As well, any government penalties associated with the level of venture investments made will be minimized.

### Venture Capital Plays A Major Role In Canada's Economic Health

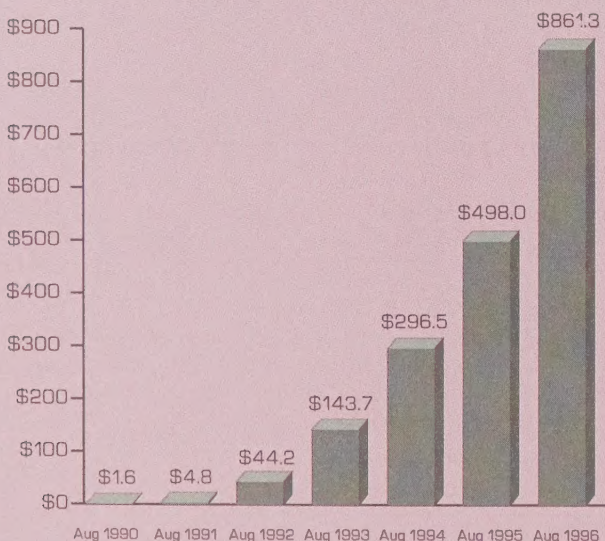
A recent survey of 420 venture-backed Canadian companies, conducted by Macdonald & Associates for the Business Development Bank of Canada, brings to light the importance of venture capital in Canada. This annual survey is designed to collect important data from venture-backed companies over a five year period and analyze the impact of these firms on Canada's economy. All of the investments covered by the survey were made between 1991 and 1994 and are composed of both new investee companies and follow on financings.

The results are dramatic:

- 40,573 new jobs created - these companies employ a total of 50,202 people
- employment increased at an annual compounded rate of 30% - ten times the average Canadian employment growth rate of 3%
- \$788 million was invested in research and development
- exports grew at an average compounded rate of 36%, totalling over \$6 billion over the five year period

*Produced with permission of the Business Development Bank of Canada*

### Total Net Assets (\$ millions)



We are pleased that the response to this halt from shareholders and investment professionals has been almost universally positive, and that they supported and complimented us on this prudent decision.

### Economic Impact of Successful Investment

The Canadian Federation of Labour envisioned that, in addition to creating financial opportunities for investors, the growth of the types of companies in which Working Ventures invests would also lead to important economic benefits, such as jobs, exports, and research and development spending. Last year, the 94 companies in which Working Ventures has invested since inception accounted for 9,746 jobs, \$1.5 billion in sales (of which \$627.2 million was exports), and \$98.6 million in research and development spending. These dynamic companies are creating jobs at a much faster rate than the larger companies in Canada. This is an indication of the contribution that both the Fund and its shareholders are making to Canada's economic health.





## Working Ventures-Economic Impact

Economic Impact	Current Status	*Increase
Employment	9,746	20%
Annual Sales	\$1.5 billion	16%
Exports	\$627.2 million	18%
Research and Development	\$98.6 million	6%

\*Represents the percentage increase in the total economic products of all 94 portfolio companies since Working Ventures' initial investments.

### Outlook

As the Fund makes more venture investments, its impact on the economy will be even more significant. The Fund will continue to make solid investment decisions, one at a time, on their merits, and I am confident that our impressive record in terms of contributing to job creation, research and development and exports in the Canadian economy will continue. This bodes well for our shareholders and the Canadian economy as a whole. We are confident that, with the ongoing support of the Canadian Federation of Labour, the investment community, and, of course, our shareholders, Working Ventures is well-positioned to continue to make an important contribution in the years ahead.

Ron Begg  
President,  
Working Ventures Canadian Fund Inc.

### Return on Investment as at August 31, 1996

Average Annual Compounded Rate of Return	
1 Year	2.89%
3 Year	3.32%
5 Year	3.50%
Since Inception	4.87%

Working Ventures has provided shareholders with steady positive returns every year since inception.

The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all dividends and do not take into account redemption or optional charges payable by any shareholder which would have reduced returns. All performance data represent past performance and are not necessarily indicative of future returns.

### LSIF's - An Effective Government Investment Incentive

Labour Sponsored Investment Funds (LSIF's) are an extremely effective tool for governments to generate pools of venture capital. In addition to the federal government, eight of the ten provinces in Canada have implemented legislation to support LSIF's.

The return to government on its investment is demonstrated in two recent studies (November 1995), one conducted by the Canadian Labour Market and Productivity Centre (CLMPC) and the other conducted by Carleton University on behalf of the CLMPC. These studies review ten investments totaling \$27.8 million in companies which received funds from two LSIF's. The report examines the costs and benefits to the government of supporting this program. The three fiscal benefits examined were:

- Increased tax revenues from the ten companies.
- Income support program costs avoided as a result of job creation or job retention.
- Indirect tax revenues relating to the ten firms' suppliers.

By comparing the costs (start-up costs, tax credits, RRSP tax savings) of these ten investments to their benefits, the reports found that the payback period for the overall public expenditure was 2.72 years. This demonstrates that governments are able to recoup their investment in the LSIF program quite quickly once the funds are invested in small and medium-sized companies. Long after governments have recovered their costs and seen a return on their investment, these companies may have strong potential to continue to grow and benefit the Canadian economy.

In supporting the LSIF program, governments have greatly increased the supply of venture capital available in the Canadian economy. Even though the LSIF program is still quite young, it is a driving force in the venture capital industry. In fact, the two largest pools of venture capital in Canada are LSIFs - one of which is Working Ventures. As well, LSIFs now represent over half of all the venture capital available in Canada.

The reports concluded: "The evidence reported here lends support to the view that Labour Sponsored Venture Capital Corporations can function as effective instruments of public policy, particularly with respect to employment and business development, the supply of long-term capital to small and medium sized enterprises in key sectors, the promotion of a rational labour adjustment process, and improvements in labour relations and productivity in the workplace".

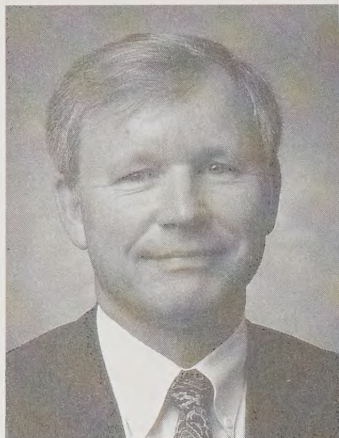
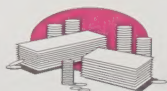
LSIF's were also determined to be crucial for providing venture capital to areas where there had previously been very little venture capital investing. Working Ventures was specifically mentioned in one report for providing close to 100% of institutional venture capital investments in Atlantic Canada in 1993 and 1994.

*Produced with permission of the CLMPC*





## Investment Department



Jim Hall, Senior Vice-President, Investments

Fiscal 1996 has been a year of continuous development and Working Ventures' Investment Department has achieved several milestones. Our professional staff increased from 20 to 31 and continues to grow: four new branch offices have opened (Saint John, London, Ottawa and Halifax); portfolio development included funding over \$120 million in 50 new and several follow-on investments;

and the venture investment portfolio contributed over almost \$10 million to the net asset value in the form of investment income and net realized and unrealized gains. These achievements are the result of a tremendous amount of work on the part of an outstanding team of men and women charged with the challenge of significant performance improvement year after year.

Working Ventures' investment strategy continues to be to build a diversified and balanced portfolio of venture investments which meet the investment requirements under our governing legislation. The current portfolio of 87 investee companies (net of 7 complete exits) is a composite – by instrument, location, size, type, phase, sector, nature and ownership – of early stage development businesses and more established later stage companies. We continue to seek both private and publicly-owned technology, service and manufacturing investment opportunities with the goal of funding transactions totalling about \$180 million in our next fiscal year.

I am often asked "what makes a good investment professional at Working Ventures?". In my opinion, in addition to specific aptitude (an appetite for risk) for the work, technical competence (including sectoral expertise and quantitative skills) and being the "right fit" for our Department, there are four basic intellectual qualities needed: independence; curiosity; humility; and honesty. Intellectual independence means that the person has the ability to make a decision – to choose. Intellectual curiosity suggests a healthy cynicism and an interest in continual learning. Intellectual humility includes the knowledge that he or she has neither all the questions nor all the answers. And intellectual honesty, the cornerstone of any professional, allows one to admit things aren't going as planned and to seek help. Those who know our people assure me that Working Ventures has a wealth of these qualities in our present staff.

Return on investment is our principal objective. Up to August 31, 1996, the venture investment portfolio has

significantly outperformed the venture capital industry "J-Curve" benchmark. This result is all the more impressive when one considers the dilutive effect of more than doubling our investment activity over the past year with the result that our average dollar invested is still a relatively young 14 months "old". Notwithstanding the good results to date, it is important to remember that venture investing return expectations are for capital appreciation in the longer term and there is no guarantee that this performance will be earned in the future.

Finally, we thank our investee company management teams and co-investors for their talent, dedication and hard work over the last 12 months. All of this has positioned the Investment Department to enter fiscal 1997 with a great deal of momentum and enthusiasm.

### Types of Investments

Working Ventures invests equity and subordinated debt in growing **small and medium-sized businesses** believed to have significant growth potential. Striving to be known for "integrity, reliability and fair dealing", our principal investment objective is to achieve long term capital appreciation for our shareholders.

The Fund's portfolio is a balanced and diversified composite of venture investments across Canada including early stage development businesses and more established later stage companies. Up to August 31, 1996 Working Ventures has invested over \$230 million in 94 companies. Continuing to build, we seek **both private and publicly-owned** technology, service and manufacturing investment opportunities.

Other information:

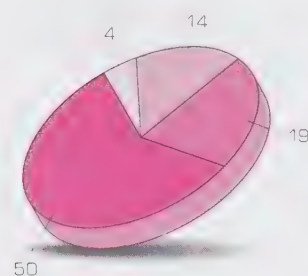
- The Fund invests **\$250,000 to \$10 million** directly into a business with:
  - Less than 500 employees;
  - Less than \$50 million in assets;
- A phone call, fax or letter is the best way to contact us initially and an opportunity to review your **business plan** is the first step in our investment process;
- Ownership expectations...minority positions, normally.

The Fund's investments are structured flexibly to address specific situations, requirements and demands. While expansion capital for growing companies is a focus, we are also interested in unique investment opportunities and will work closely with principals and agents to develop innovative financing solutions. We routinely pay agent/finder's fees on our transactions.



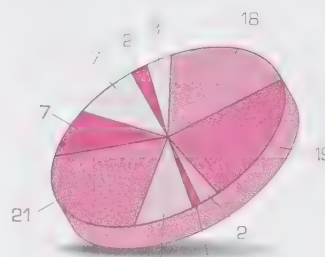


## Venture Investment Breakdown (August 31, 1996)



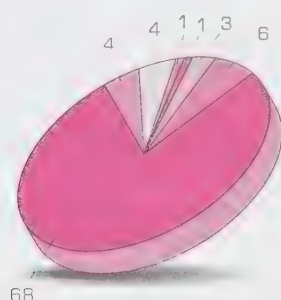
### Stage of Investment

50	Classic Expansion
19	Early Stage Expansion
14	Start-up
4	Restructuring
87	Total



### Industrial Sector

7	Biotechnology
7	Telecommunications
21	Computer
7	Electronics
1	Industrial Automation
2	Medical/Health
19	Consumer
18	Manufacturing
3	Transportation
2	Miscellaneous
87	Total



### Region

68	Ontario
6	Saskatchewan
3	Prince Edward Island
1	New Brunswick
1	Newfoundland
4	Alberta
4	Quebec
87	Total

As well as diversifying the portfolio by size of investment (with no investment exceeding \$10 million), Working Ventures diversifies by stage of investment, industrial sector and region. Since inception, Working Ventures has made investments in 94 companies and has fully exited 7.

## Venture Investments at Cost

Working Ventures currently holds 87 companies in the venture portion of the portfolio. The following is a brief description of each company. In the shaded boxes you will find some of our recent investments which you may find interesting.



### Biotechnology

#### Biostar Inc. of Saskatoon, Saskatchewan

\$1,726,350 (December 15, 1993, October 1, 1994, March 25, 1996 and May 16, 1996)

Biostar Inc. develops and produces high value-added biological products, notably vaccines, for the animal health sector.

#### Cobequid Life Sciences Inc. of Prince Edward Island \$1,552,500 (September 13, 1993)

Cobequid Life Sciences Inc. is a biotechnical company providing research, development, production and marketing of vaccines for the aquaculture industry throughout the world.

#### Ibex Technologies Inc. of Montreal, Quebec \$1,190,000 (June 20, 1996)

Ibex Technologies Inc. is a development stage company dedicated to drug discovery and the clinical development of enzyme-based therapeutics for the treatment of cardiovascular disease, tissue repair and genetic diseases of enzyme deficiency.

#### Resolution Pharmaceuticals Inc. of Mississauga, Ontario \$1,500,000 (May 31, 1996)

Resolution Pharmaceuticals Inc. is an early-stage company dedicated to research, development, and commercialization of radiopharmaceutical compounds. Radiopharmaceuticals are used as imaging agents in the field of nuclear medicine to assist in the diagnosis of medical concerns like infection and inflammation. Improved radiopharmaceuticals will allow for earlier and more accurate detection of medical conditions. This in turn will allow hospitals to provide more effective treatment while reducing health care costs. Resolution has a strong team of research professionals and an impressive array of technology from which to grow in the future. The company currently has one diagnostic imaging agent, RP 128, in Phase II clinical trials, and has several other agents in pre-clinical development. The investment will allow the company to pursue its research and development programs while working towards commercialization goals.



**Synsorb Biotech Inc. of Calgary, Alberta**  
**\$998,250 (May 31, 1996)**

Synsorb Biotech Inc. is dedicated to the discovery, development and manufacture of pharmaceutical products for gastroenteric infections for which current therapies are non-existent or inadequate. The company's development of these therapeutic products is based on its platform technology, which involves a carbohydrate carrier complex called a Synsorb that binds disease causing toxins secreted by bacteria in the gastroenteric tract. On June 3, 1996, Synsorb Pk, Phase III clinical trials were initiated for the treatment of Hemolytic Uremic Syndrome (HUS), a potentially fatal complication, arising from hemorrhagic colitis or "Hamburger Disease" which effects over 40,000 children in North America. These trials will determine the effectiveness of the drug in preventing the onset of HUS. On September 24, 1996, the company announced a US \$1.36 million grant from the US National Institutes of Health to test Synsorb Pk's effectiveness in reducing severe kidney complications and mortality in children who have progressed to HUS. The launch of clinical trials is expected later this year for the second product, Synsorb Cd., for the treatment of recurring antibiotic-associated diarrhea which effects over 3.5 million people in North America.

**GlycoDesign Inc. of Toronto, Ontario**  
**\$2,000,000 (July 7 and August 21, 1995)**

Glyco Design Inc. is an early-stage company dedicated to drug discovery and pre-clinical development of novel carbohydrate processing inhibitors. The company uses its advanced glycobiology research platform to discover, test and license novel, orally-active, non-toxic therapeutics.

**Vascular Therapeutics Canada Inc. of Hamilton, Ontario**  
**\$3,424,000 (August 30, 1996)**

Vascular Therapeutics Canada Inc. is an early-stage company dedicated to research, development, and commercialization of therapeutic drugs targeted at the treatment of thrombotic conditions.

**Telecommunications****AlarmForce Industries Inc. of Don Mills, Ontario**  
**\$1,800,000 (November 28, 1994 and May 21, 1996)**

AlarmForce Industries Inc. is one of the leading developers and installers of residential security systems in Canada. AlarmForce Industries Inc. sells and installs a proprietary, wireless security system.

**LanSer Wireless Inc. of Toronto, Ontario & Montreal, Quebec**  
**\$3,000,000 (November 29, 1995)**

LanSer Wireless Inc. is a private Canadian company that operates various businesses within the wireless communications industry. Through its operating subsidiaries, the company is currently deploying a

fixed wireless point of sale network (CELLPAC) for debit and credit card transactions across Canada and in select foreign markets.

**Mobile Computing Corp. of Toronto, Ontario**  
**\$1,500,000 (August 25, 1993)**

Mobile Computing is a full service systems integrator that develops mobile computer solutions for the fuel delivery, field service and waste management industries.

**NovAtel Wireless Technologies Inc. of Calgary Alberta**  
**\$2,748,400 (August 8, 1996)**

NovAtel Wireless Technology Ltd. is a leading developer of world-class wireless voice and data communications products. NovAtel is the former Cellular Phone Group division of NovAtel Inc. The company designs and manufactures state of the art cellular digital packet data, wireless data transmission products and wireless key telephone systems.

**PageMart Canada Holding Corporation of Markham, Ontario**  
**\$2,905,287 (July 28, 1995)**

PageMart's unique application of digital broadcast satellite technology allows it to provide its customers with single frequency paging across all of North America.

**PrimeNet Communications Inc. of Toronto, Ontario**  
**\$499,500 (July 11, 1996)**

PrimeNet Communications Inc. is a provider of interactive continuing education modules to professionals, primarily in the health-care industry.



*PrimeNet Communications Inc.*

**Research in Motion Inc. of Waterloo, Ontario**  
**\$3,400,000 (June 6, 1996)**

Research in Motion Inc. (RIM) is a private Canadian technology company that is a leader in the emerging market for wireless data communications. RIM has been working with narrowband personal communications services (PCS) since 1988, and today RIM is the largest narrowband PCS device developer in the world.





## Computer

### **Beamscope Canada Inc. of Scarborough, Ontario \$1,024,813 (February 14, 1995)**

Beamscope Canada Inc. is one of Canada's leading suppliers of brand name home office products, computer software and video entertainment systems, distributing over 4,300 products to the entire spectrum of retailers in Canada, including national and regional chains and numerous independents.

### **Cadsoft Corporation of Guelph, Ontario \$1,000,000**

Cadsoft Corporation is a leading provider of CAD (Computer Aided Design) software solutions targeted to residential home builders, architects and designers. Cadsoft products represent the most flexible, comprehensive design tools available to the building industry today.

### **Cary Peripherals Inc. of Nepean, Ontario \$675,001 (May 2, 1995)**

Cary Peripherals Inc. is a leading developer and manufacturer of durable PC point-of-sale keyboards based on an open architecture, that become an integral part of an end-user's retail system.

### **Certicom Corp. of Mississauga, Ontario \$154,020 (August 8, 1995)**

Certicom Corp. is a leading-edge developer and vendor of information security products and services, including hardware and software products, systems integration and cryptographic consulting. Working Ventures' investment allows the Fund to participate in the market development and future growth of Certicom as they expand both their product offerings and geographic focus.

### **Coreco Inc. of Ville St-Laurent, Quebec \$875,000 (June 7, 1996)**

Coreco Inc. is a Canadian technology company which designs, develops and markets leading-edge hardware and related software products for the high-end computer vision industry. Coreco's principal products are image processing boards which allow the computer to see at high speed and with superior image quality by digitizing, processing and analyzing images, either with or without the assistance of application software.

### **Digital Processing Systems Inc. of Scarborough, Ontario \$552,500 (June 12, 1996)**

Digital Processing Systems Inc. designs, manufactures and markets hardware and related software used for creating, editing and distributing broadcast-quality video and audio material.

### **DiscoverWare Inc. of Calgary Alberta \$500,010 (June 5, 1996)**

DiscoverWare Inc. is a developer of professional and personal interactive multimedia training software, which is marketed under the DiscoverWare brand name. The company's products allow users of popular PC-based software programs like Excel, Lotus 1-2-3, Wordperfect, and Windows 95 to learn these increasingly complex programs in a software-based "studio" environment.

### **Fulcrum Technologies Inc. of Ottawa, Ontario \$187,942 (July 13, 1995)**

Fulcrum Technologies Inc. is a leading provider of information retrieval software for client/server applications. The company's products index and retrieve unstructured and structured information contained within electronic documents.

### **Gavel and Gown Software Inc. of Toronto, Ontario \$1,200,001 (March 31, 1996)**

Gavel and Gown Software Inc. is a Canadian developer and marketer of software for the legal and professional markets with a line of shrink-wrapped productivity software that is gaining a growing market acceptance.

### **Genesis Microchip Inc. of Markham, Ontario \$994,500 (July 29, 1996)**

Genesis Microchip Inc. is a fabless semiconductor company which specializes in the development and marketing of proprietary, real-time video/image digital signal processing integrated circuits which are used by original equipment manufacturers to scale, resize and de-interlace video images.

### **Hegyi GeoTechnologies International Inc. of Ottawa, Ontario \$750,001 (September 21, 1995 and March 21, 1996)**

Hegyi Geo Technologies International Inc. is an Ottawa-based systems integration company which specializes in the forestry and resource industries.

### **MPACT Immedia Corporation of Montreal, Quebec and Toronto, Ontario \$1,968,750 (May 24, 1996)**

MPACT Immedia Corporation provides a growing customer base worldwide with the most comprehensive electronic commerce software and value-added services in the marketplace. Each is designed to help organizations move from paper-based invoices, payments and correspondence to electronic transactions that provide greater efficiencies and a sharper competitive edge in the emerging information economy.

### **Nextra Technologies Inc. of Mississauga, Ontario \$3,600,001 (December 3, 1993)**

Nextra Technologies Inc. provides asset management technologies designed to manage personal computer assets in medium to large-sized corporations.



**ObjectArts Inc. of London, Ontario  
\$500,010 (January 24, 1995)**

ObjectArts Inc. is a Microsoft Solution Provider and Authorized Education Centre, ObjectArts Inc. provides advanced training to computer programmers and computer support professionals.

**Secure Computing Canada Inc. (formerly known as Border Network Technologies Inc.) of Toronto, Ontario  
\$5,999,998 (February 5, 1996)**

Working Ventures first identified Border Network Technologies Inc. as a potential investment in the fall of 1995. The company is a leading worldwide provider of computer network security products with more than 1,200 customers worldwide. The company's flagship product, the Borderware Firewall Server, is the most secure, complete and easy-to-use Internet firewall on the market. Firewall servers are used as a defensive mechanism by large corporations to safeguard their computer networks from "hackers" and other potential network infiltrators. Due to the large number of companies joining the Internet system, the viable use of these firewall servers has grown tremendously.

After an extensive and thorough investigation, Working Ventures invested \$6 million in February of 1996 and assisted in raising a substantial amount of additional capital for Border from other sources. At that time, Border Network Technologies was a small but rapidly growing, privately-held company. Explosive growth in the firewall software market expected between now and the end of the century placed a sizable premium on the value of Border. On May 30, 1996 Border Network Technologies was bought by Secure Computing Corporation for \$190 million (US). This deal will provide Secure with the second-largest firewall software market share. Secure Computing Corporation is a U.S. network security company based in St. Paul, Minnesota. Border Network Technologies, now known as Secure Computing Canada Inc., will function as a fully owned subsidiary in Toronto, Ontario. Secure Computing Canada Inc. is now the world's second largest vendor of firewall technology according to a recently-published survey.

Working Ventures, as the lead investor, was instrumental in the structuring, pricing and syndication of the investment in Border Network Technologies Inc. The funds were being used to continue the expansion of Border's operating business, increase the company's distribution channels, fund the development of new products, and strengthen the company's working capital position. The Fund remains very positive about the future prospects for Secure's operations and retains a seat on the Board of Directors of Secure Computing Canada Inc.

**Perle Systems Limited of Markham, Ontario  
\$1,852,500 (September 29, 1995)**

Perle Systems Limited produces computer products for the network communication industry which facilitate data communication between computers within the same network and between networks.

**Promis Systems Corporation Ltd. of Toronto, Ontario  
\$1,942,855 (August 21, 1996)**

Promis Systems Corporation Ltd. is a leading supplier of manufacturing execution systems software for the semiconductor industry.

**SimEx Inc. of Toronto, Ontario  
\$3,000,000 (August 19, 1996)**

SimEx Inc. is a leading full-service provider of out-of-home entertainment attractions utilizing motion platform simulation for the theme park, museum/science centre and location-based entertainment centre markets.

**SoftQuad International Inc. of Toronto, Ontario  
\$1,619,494 (September 1, 1994)**

SoftQuad International Inc. is a leading vendor of electronic publishing products for use on the Internet. SoftQuad's HTML and SGML software and services offer multi-platform, standards-based solutions for information management and electronic publishing.

**Star Data Systems Inc. of Markham, Ontario  
\$2,000,000 (June 29, 1995)**

Star Data Systems Inc. is a leading provider of information services to the financial industry. The company's Starquote product is Canada's most widely used stock quotation service providing real-time information on all major North American exchanges to over 600 customers at 9,300 work stations.

**Teklogix International Inc. of Mississauga, Ontario  
\$481,201 (September 29, and October 6, 1995)**

Teklogix International Inc. designs, manufactures, markets and supports wireless data communication systems comprised of networking and mobile computing products.

*Electronics***Antel Optronics Inc. of Burlington, Ontario  
\$2,500,001 (April 30, 1996)**

Antel Optronics Inc. designs, manufactures and markets a range of fibre optic test and measurement instruments.

**Applied Analytics Corporation of Markham, Ontario  
\$1,500,000 (July 3, 1996)**

Applied Analytics Corporation develops and markets highly accurate instrumentation used in the rapidly growing geomatics industry.

**Dalsa Corporation of Waterloo, Ontario  
\$117,500 (May 21, 1996)**

Dalsa Corporation is a leader in the design, development, manufacture and marketing of image sensor and electronic camera products based on the company's high-performance image capture charge-coupled device (CCD) technology.





**Develcon Electronics Ltd. of Saskatoon, Saskatchewan  
\$1,000,000 (February 23, 1996)**

Develcon Electronics Ltd. designs and manufactures high performance data communications and internet-working equipment, such as token ring and ethernet LAN bridges, hubs and bridge/routers.

**Dipix Technologies Inc. of Ottawa, Ontario  
\$1,000,001 (April 12, 1996)**

Dipix Technologies Inc. is a leading supplier of vision and imaging products to original equipment manufacturers, system integrators, and value added resellers in the fields of industrial inspection, machine vision, bio-medical imaging, document scanning and scientific imaging.

**Lumion Corporation of Toronto, Ontario  
\$1,700,000 (August 22, 1994 and February 16, 1995)**

Lumion Corporation is an innovative manufacturer and distributor of electronic ballasts, fluorescent light bulbs and related lighting technologies.

**Virtek Vision International Inc. of Waterloo, Ontario  
\$500,000 (May 5, 1995)**

Virtek Vision International Inc. is a leading developer and worldwide supplier of machine vision, 3D laser projection technology and machine intelligence systems, principally to the leather goods, aerospace and housing construction industries.



### *Medical/Health*

**Life Imaging Systems Inc. of London, Ontario  
\$1,750,001 (March 31, 1995)**

Life Imaging Systems Inc. was established by University Hospital in London, Ontario to develop and market a wide range of three-dimensional ultrasound imaging products used for diagnostic purposes.



*Life Imaging Systems Inc.*

**Morphometrix Technologies Inc. of Toronto, Ontario  
\$1,500,000 (March 15, 1996 and May 16, 1996)**

Morphometrix Technologies Inc. develops, manufactures and markets the Cymet A40 Automated Pap Screening System, a medical device for the early detection of cervical cancer and other cytopathologies.



### *Industrial Automation*

**Orchid International Group Inc. of Cambridge, Ontario  
\$10,526,438 (March 30, 1994 and March 2, 1995)**

Orchid International Group Inc. began operations as a manufacturer of automated metal stamping equipment but has evolved into a rapidly growing metal stamping company.



### *Consumer*

**Atlantic Video Lottery Inc. of Summerside, PEI  
\$700,000 (August 29, 1996)**

Atlantic Video Lottery Inc. is an owner/operator of video lottery machines in PEI and is seeking to expand through acquisition.

**Cleanol Services Inc. of Toronto, Ontario  
\$5,000,000 (August 26, 1996)**

Cleanol Services Inc. is Canada's largest and most experienced cleaner of residential wall coverings, carpets, and upholstery.

**Delphi Solutions Inc. (formerly TIE Communications Canada Inc.) of Markham, Ontario \$3,500,001  
(August 30, 1996)**

Delphi Solutions Inc. is one of the oldest and largest independent providers of telecommunications systems and associated services to business and governments across Canada.

**Gallop & Gallop Advertising Inc. of Toronto, Ontario  
\$3,000,000 (June 15, 1994)**

Gallop & Gallop Advertising Inc. is a leading out-of-home media company serving Toronto, Hamilton, Montreal, Vancouver, Ottawa, Edmonton, Calgary and other major Canadian cities. The company provides excellent customer services to local and national advertising clients through company-owned billboards, bus shelter advertising panels, airport posters, theater posters and by operating transit vehicle franchises in several major cities.



**CF Hospitality Inc. (operating as Super 8 Motels-Ontario) of Sarnia, Ontario****\$5,200,000 (February 14, June 26 and July 18, 1995)**

CF Hospitality Inc. owns and operates Super 8 Motels and has the development rights for Ontario and Eastern Canada through an agreement with Super 8 Motels Inc., one of the largest and fastest growing chains in Canada and the United States with over 1,300 properties and more than three million members in its V.I.P. card program.



*CF Hospitality Inc.*

**General Wellbeing of Toronto, Ontario****\$750,001 (August 6, 1996)**

General Wellbeing is a unique retail concept for the growing wellness and self-care market. The company's strategy is to open healthcare retail outlets in major hospitals across Canada. Hospitals provide strong traffic flow where the customer is predisposed to purchasing wellness merchandise such as medicine wraps, therapeutic pillows and massage machines. This kind of concept has generated significant interest throughout Canada and the United States. Working Ventures' investment will be used to fund working capital and capital expenditures necessary to open further retail outlets in a number of hospitals in southern Ontario.

**Gest-Accor Inc. of Laval, Quebec****\$3,700,001 (July 5, 1996)**

Gest-Accor Inc. provides wholesale finance services for over 150 manufacturers and over 500 independent electronics, appliance, and furniture retailers across Canada.

**Giftcraft Ltd. of Brampton, Ontario****\$5,000,001 (July 12, 1994)**

Giftcraft Ltd. is the second largest importer/manufacturer and wholesale distributor of giftware in Canada and has recently expanded its distribution activities into the United States. Operating under the Giftcraft and Plus One Gifts banners, Giftcraft sells to over 7,500 North American retailers.

**Karo (Toronto) Inc. (formerly Taylor & Browning Design Associates Inc.) of Toronto, Ontario****\$2,500,000 (August 3, 1995)**

Karo (Toronto) is one of Canada's top design firms specializing in the corporate, retail and environmental sectors of the graphic design industry.

**The KW Optical Group of Waterloo, Ontario****\$2,000,001 (July 5, 1996)**

KW Optical is a manufacturer and distributor of prescription eyeglass lenses and other optical services. Its primary customers are independent optometrists and opticians. Founded in 1934, the company has a rich history of providing high-quality goods and services to the optical professions. The company has recently evolved into a national organization, with laboratories located in Atlantic Canada, Alberta, British Columbia, Saskatchewan and Ontario. By focusing on providing superior service and the best quality products, the company is poised to take advantage of Canada's increasing eye care needs. Working Ventures' investment will be used to provide additional working capital to the company and to fund increased marketing and distribution of the company's existing products.

**Newgen Restaurant Services Inc., of Scarborough, Ontario \$3,000,001 (January 28, 1996)**

Tucker's Marketplace is a unique new restaurant concept developed by Newgen Restaurant Services Inc., owner of Mother Tucker's Restaurants of Canada. Inspired by authentic neighborhood markets, Tucker's Marketplace is designed to encourage interaction between customers, service staff, and chefs.

**Norstar Entertainment Inc. of Toronto, Ontario****\$5,000,000 (November 7, 1995)**

Norstar Entertainment Inc. is an established independent producer of commercial, high-quality feature films and made-for-television movies, a domestic distributor of independent feature films produced in Canada and internationally, and an international distributor of its own and other Canadian-produced feature films.

**Recreation Services International Inc. of Ottawa, Ontario \$500,001 (September 26, 1995)**

Recreation Services International Inc. is an Ottawa-based full-service recreation facility management company. Over the past two and a half years the company has established a solid reputation with municipal governments across Canada, positioning themselves as a viable means for municipalities and private companies to reduce the cost of operating their recreational facilities, while increasing the quality of service and adding innovative programs.



**Rock Entertainment Accessories Inc. of North Bay, Ontario \$4,000,000 (August 12, 1994)**

Rock Entertainment Accessories Inc., operating under the trade names A.V.E Entertainment and Music City, is a growing retail chain offering entertainment products, including music, video and computer software.

**The Hide Market (Acton) Limited of Acton, Ontario \$2,850,001 (August and November 1994, and May 1995)**

The Olde Hide House is Canada's largest leather goods outlet and serves key southern Ontario markets from its central location in Acton. A principal distributor for many of Canada's leading leather garment manufacturers, the store is also recognized as an innovative and integral anchor of a growing regional tourism industry.

**The Upper Canada Brewing Company Ltd. of Toronto, Ontario \$881,501 (March 22, 1996)**

The Upper Canada Brewing Company Ltd. produces and markets a family of 11 distinctive ales and lagers under the Upper Canada brand name. All of the company's products are brewed according to the strict Bavarian Purity Act of 1516.

**Trimark Athletic Supplies Inc. of Markham, Ontario \$2,500,000 (June 8, 1995)**

Trimark Athletic Supplies Inc. is an established national distributor of team sportswear and corporate leisure wear selling to independent sporting good stores across Canada.

**Willows Golf & Country Club of Saskatoon, Saskatchewan \$7,000,000 (March 31, 1994)**

"The Willows" is a world class, 382 acre, 36-hole golf and recreation complex located strategically at the centre of western Canada. The four challenging nine-hole golf courses appeal to all levels of golfers, and the 33,600 square foot clubhouse features premier restaurant and banquet facilities.

**Yogen Früz World-Wide Inc. of Markham, Ontario \$3,780,000 (February 20, 1996)**

Yogen Früz World-Wide Inc. is a franchiser and operator of frozen yogurt retail outlets. The company's principal product is frozen yogurt, which is blended with fresh fruit at the point of sale. Yogen Früz's concept and quality product have proven to be exceptionally popular, with master franchisees setting up outlets in 44 countries around the world, from Thailand to Egypt. In Canada, the company is benefiting from a strategic alliance with Country Style Donuts, while expansion possibilities in the United States are present through the recently completed acquisition of "I Can't Believe It's Yogurt". Working Ventures' investment is part of a \$23 million private placement of special warrants, exchangeable into common shares of Yogen Früz World-Wide Inc. Working Ventures' funds are being used by the company for working capital purposes relating to the expansion of operations both internationally and in Canada.

**Manufacturing****Algoods Inc. of Toronto, Ontario \$5,000,001 (May 22, 1996)**

Algoods Inc. (Algoods) operates a micro-mill aluminum sheet casting facility producing roll-bond fabricated aluminum products, impact extrusion discs and specialty aluminum sheet. In May 1996, Algoods, a Tier One automotive supplier, was awarded the Chrysler "Gold" Pentastar Award. This award recognizes Algoods' superior performance in the delivery of high quality patented roll-bond heat shields. Algoods heat shields are used in Chrysler mini-vans, and the company will be supplying heat shields for the new Dodge Dakota Truck and Dodge sport utility vehicles. Part of Working Ventures' investment is being used to finance an upgrade and modernization of Algoods' operations

**Automatic Cutting Inc. of Burlington, Ontario \$3,500,001 (June 1, 1995)**

Automatic Cutting Inc. is an automotive components manufacturer which produces precise steel parts used primarily in transmission and brake assemblies for Tier I and Tier II automotive suppliers.

**Camelot Superabsorbents Ltd. of Calgary, Alberta \$2,735,400 (February 8, 1996)**

Camelot Superabsorbents Ltd. is a specialty-polymer company focused on the manufacturing of innovative polymer products and is a leader in fiber superabsorbent technology.

**Canadian Crude Separators Inc. of Alberta and Saskatchewan \$3,000,000 (December 2, 1993)**

Canadian Crude Separators Inc. provides the oil and gas industry in Alberta and Saskatchewan with a wide range of essential environmental services.

**Container Corporation of Canada Ltd. of Richmond Hill, Ontario \$2,100,000 (May 18, 1994)**

Container Corporation of Canada Ltd. is a successful manufacturer and distributor of packaging products in business for over 16 years. In addition to the conventional, corrugated paper business, Container Corporation has developed a new proprietary packaging system that is superior to existing products in terms of performance, economics and sensitivity to the environment.

**EGO Resources Ltd. of Cobalt, Ontario \$3,000,000 (March 13, 1996)**

EGO Resources Ltd. has recently completed construction of a \$22 million, 40,000 square foot cobalt refining facility on a 40 acre site near Cobalt, Ontario. The plant operates on a proprietary hydrometallurgical cobalt recovery process that allows the effective, environmentally safe recovery of 600,000 lbs of cobalt per year, from difficult-to-process compounds.



**Exal Aluminum Inc. of Aurora and Pickering, Ontario  
\$7,000,001 (September 28, 1994)**

Working Ventures invested \$7 million in Exal Aluminum Inc. in addition to a \$22 million investment by the Bank of Nova Scotia and RoyNat Inc. The company operates two large manufacturing facilities in Pickering and Aurora, Ontario. Both facilities produce extruded aluminum sections. The Pickering facility also manufactures aluminum billet. Working Ventures' investment was used to relocate and commission a 2750 tonne extrusion press at the Aurora facility and to expand the Pickering billet casting facility.

*Exal Aluminum Inc.***Hamilton-Douglas Industries Limited of Moncton, New Brunswick  
\$2,750,000 (May 12, 1995 and January 26, 1996)**

Hamilton-Douglas Industries Limited operates two subsidiaries: Atlantic Reman Ltd. and MFM Industries Ltd. Atlantic Reman is an authorized remanufacturer for Chrysler, Ford and General Motors, producing a full line of remanufactured auto parts including engines, starters and water pumps. They have serviced auto dealers in the Maritimes and Quebec since 1954. MFM Industries Ltd. has invested in and will expand the recently acquired TransTech division of Canadian National Railway which produces high-quality corrugated steel shipping containers and chassis for the intermodal market.

**Helitactics Limited of Bishop's Falls, Newfoundland  
\$600,001 (August 31, 1995)**

Helitactics Limited is a Newfoundland-based designer and manufacturer of fire-suppression equipment. Although initially focused on airborne systems for the forestry markets, Helitactics has broadened their product offerings to include more conventional fire-suppression equipment for industrial and municipal markets across North America.

**Icex Inc. of Brampton, Ontario  
\$800,000 (November 18, 1994)**

Icex Inc. is a Canadian developer and manufacturer of technologically innovative, high performance, composite hockey stick products.

**Humboldt Flour Mills Inc. of Humboldt, Saskatchewan  
\$4,247,613 (July 24, 1995)**

Humboldt Flour Mills Inc., established in 1956, has become one of Canada's leading marketers of mustard and canary seed to the world market. Humboldt has used its international reputation as an exporter of consistently high quality product to become a significant exporter of peas and lentils to the world market.

*Humboldt Flour Mills Inc.***International Wallcoverings Ltd. of Brampton, Ontario  
\$949,500 (September 29, 1995)**

International Wallcoverings Ltd. is a leading manufacturer of wallcovering products serving the North American residential market.

**Jones Packaging Inc. of London, Ontario  
\$3,000,001 (July 30, 1996)**

Jones Packaging Inc. services the pharmaceutical, confectionery, food and health care industries. The company designs, develops, manufactures and distributes packaging materials.

**Marsh Engineering Group of Port Colborne, Ontario and Dartmouth, Nova Scotia  
\$2,000,001 (March 21, 1995)**

Marsh Engineering Group is a leading integrated industrial repair and maintenance service provider, servicing rotating equipment such as pumps, compressors, turbines, bearings and shafts and their control systems in the marine, steel, power utility and other industrial sectors.

**M&I Door Systems Limited of Barrie, Ontario  
\$4,250,001 (October 31, 1995)**

M & I Door Systems Limited manufactures custom-designed door systems. Founded in 1980, the company's original focus was on underground mining applications such as ventilation doors, high pressure doors and mandos. Through the years, geographic growth has led the company into the United States as well as international markets, while product line expansion has given M & I access to a number of new industrial applications.





**MDC Corporation of Toronto, Ontario (formerly an investment in Mercury Graphics of Saskatoon)  
\$2,351,806 (February 9, 1995)**

MDC Corporation is a publicly traded, multi-disciplined communications and marketing organization with a strong record of growth.

**Raymond Steel Ltd., of Ottawa, Ontario  
\$4,666,900 (October 5, 1995)**

Raymond Steel Ltd. is the second largest independent fabricator and supplier of reinforcing steel bars (rebar) to the construction industry in North America. The company conducts its business through two principal legal entities, Raymond Steel Ltd. in Canada, and Hausman Corporation in the US. The majority of the company's business is focused around the Great Lakes Region in the U.S. and Canada where six of its seven principal fabrication facilities are located.

**Scintrex Limited of Concord, Ontario  
\$398,400 (May 7, 1996)**

Scintrex Limited is a leading developer and manufacturer of scientific instrumentation for the earth science, security, environmental and nuclear energy markets. Through its operating subsidiaries, the company researches, designs and builds earth science exploration instrumentation, bomb and narcotic sniffers, air pollution monitors, nuclear reactor monitoring devices, defense-related equipment and other scientific products from its facilities in Canada and Australia, marketing and selling these products around the world. Scintrex also provides ground and airborne exploration and consulting services for selected markets worldwide.



## *Transportation*

**Trentway-Wagar (Properties) Inc. of Peterborough, Ontario \$7,300,001 (December 22, 1994 and July 5, 1996)**

Working Ventures first invested \$4,500,000 in Trentway-Wagar Inc in December 1994. The company is a private, owner managed bus company, with a solid history dating back almost 40 years, providing bus services concentrating on intercity bus runs, charters, school busing and contracted municipal transit. The company operates 117 motor coaches, 150 school buses and mini-buses, and 30 municipal buses with regional facilities in Toronto, Oshawa, Peterborough, Port Hope, Hamilton, Niagara Falls and Kingston. The school bus and charter operations provide stable revenues, while scheduled intercity bus operations have provided growth and have helped to more fully utilize motor coaches on a year-round basis. In July 1996, Working Ventures completed a \$2,800,000 follow-on funding to Trentway-Wagar Inc. in order to finance equipment purchases related to the acquisition of the Montreal/Toronto line run operating authority from Voyageur Colonial Ltd. and provide additional working

capital to the company. Since Working Ventures' original investment in Trentway in December 1994, the company has proven to be a very strong operating company and has been steadily gaining market share in the line run business with the introduction of services in the Toronto/Buffalo, Kitchener/Toronto and Peterborough/Toronto corridors. Trentway continues to be a market leader in the bus charter business.

**Lower Lakes Towing Ltd. of Port Dover, Ontario  
\$4,000,001 (August 1, 1995 and April 2, 1996)**

Lower Lakes Towing Ltd. is an early-stage shipping company which operates on the Great Lakes. Through its wholly owned subsidiary, Black Creek Shipping Company Limited, the company ships dry-bulk cargo on the Great Lakes and St. Lawrence Seaway using its self-unloading bulk carrier, the "Cuyahoga".

**AllCanada Express Limited of Mississauga, Ontario  
\$3,500,001 (August 30, 1996)**

AllCanada Express Limited (ACE) is a rapidly growing contract air cargo company with its head office located in Mississauga, Ontario. ACE presently flies two international routes for one of the largest U.S. couriers, Burlington Air Express. Beginning September 1996, ACE will fly an across Canada route for United Parcel Service Canada Ltd (UPS). In addition, ACE flies contract cargo to local and international destinations during weekends when available. In this rapidly growing segment of the transportation industry, ACE has quickly emerged as an industry leader through the acquisition of additional clients both within North America and internationally. Working Ventures' investment will be used to recapitalize the company and to fund the addition of a major UPS contract.



## *Miscellaneous*

**Claude Resources Inc. of Saskatoon, Saskatchewan  
\$2,750,000 (July 25, 1996)**

Claude Resources Inc. is engaged in the acquisition, exploration and development of precious and base metal properties, the acquisition and development of oil and gas properties, and the production and marketing of minerals, oils and natural gas.



**PEI Capital Inc. of Charlottetown, P.E.I.  
\$147,000 (July 17, 1996)**

PEI Capital Inc. is a community venture capital fund. The Fund will make venture capital investments of \$100,000 to \$500,000 in successful high-growth P.E.I. businesses. Combining the expertise of local P.E.I. investors and Working Ventures, and in partnership with both the federal and provincial governments, PEI Capital will support growing P.E.I.-based businesses in accessing venture capital. The investment also gives Working Ventures the opportunity to co-invest in equal amounts with P.E.I. Capital.

## Investment Exits

**Investment exits since the 1995 Annual Report**

Working Ventures' principal goal is to realize long-term capital appreciation for shareholders of the Fund. One key way to accomplish this goal is to ultimately sell investments at a profit. This year Working Ventures has done just that by divesting itself of its investments in several companies.

During the 1996 fiscal year, Working Ventures celebrated four successful complete exits. The first was in September of 1995, from our investment in Leitch Technologies of North York, Ontario. Working Ventures initially invested \$1 million into Leitch Technologies on June 28th, 1994, and completed the sale of our investment in two parts, the first during the 1995 fiscal year and the second in September of 1995 (1996 fiscal year), for total proceeds of \$2,338,125.

In November of 1995, Working Ventures exited from its investment in i\*Internet Inc. of Ottawa, Ontario. The Fund originally invested \$500,000 into this company on August 10, 1995. The investment was used to fund market development and growth. The proceeds of the sale totalled \$2,100,000, representing a net gain of \$1,600,000.

The third successful exit was in Welland, Ontario-based Iona Appliances Inc., where our initial investment of \$498,000 in December of 1995 was used to reduce debt and finance the company's expansion and new product development. Working Ventures exited this investment in April 1996 for \$771,750. This translated into a net gain of \$269,599.

The final successful exit of the 1996 fiscal year occurred with Working Ventures' investment in Tenex Data Corporation of Scarborough, Ontario. We originally invested in Tenex in February of 1994. Working Ventures' investment was used to acquire new capital equipment, to expand production, and to increase efficiency. Working Ventures profitably exited from this investment in August of 1996, when Tenex was acquired by the Office Products Division of a major Canadian-based forest products company.

Not all venture capital investments result in such success. Along with the winners come the inevitable companies that for one reason or another are not successful. Working Ventures is not exempt from such losses, of course, and also included in our investment exit activity for fiscal 1996 is the full write-off of our \$1,750,000 investment in Creative Solutions Group.

Overall success of any venture capital fund comes over the long term. In the shorter term, we're pleased to report that our net realized gain on venture investments exited (either completely or partially) during the 1996 fiscal year totalled more than \$13.4 million.

**Portfolio of Marketable Securities**

The portfolio of marketable securities amounted to \$622 million (at market value) at August 31, 1996, representing 72% of the net assets of the Fund. The average term to maturity of the portfolio of marketable securities was 1.8 years. The portfolio is managed by RT Capital Management Inc., a subsidiary of the Royal Bank of Canada and the securities are held in safekeeping at the Bank of Nova Scotia.

The investment policy for marketable securities is determined by the Fund. The policy currently permits investments in Canadian federal, provincial and corporate debt securities, as well as certificates of deposits and bankers' acceptances of Schedule I chartered banks. The maximum term to maturity of any one debt security is seven years and the average term of the portfolio is not normally greater than three years. The investment manager may vary the asset mix between short-term investments and bonds within certain prescribed limits. There are also diversification requirements in terms of the maximum amount that may be invested in one debt issuer and a minimum credit rating must also be met by each debt issuer.

Working Ventures has made investment commitments to the federal government and to those provinces which provide a tax credit to its residents who purchase Class A shares of Working Ventures. The investment commitments are related to the amount of capital raised from shareholders in each province. Working Ventures meets these commitments by making investments both in companies resident in the province and in debt securities of the province.





## Marketing Department Report



Julie Makepeace,  
Senior Vice-President, Marketing

### Tremendous Popularity Among Canadian Investors

This year was Working Ventures' most successful year of capital raising to date, with new capital raised of over \$360 million - representing 32.5% of all LSIF industry sales (17 fund companies) for the 1995/96 RRSP season. Working Ventures has been referred to as a "tremendous marketing success" in the financial community and in the

media. The Fund now has assets of \$861.3 million which represents the investment holdings of over 147,000 Canadians. This year alone 57,000 new investors joined Working Ventures. This growth demonstrates the high level of confidence investors and financial advisors have in Working Ventures. When the Canadian Federation of Labour created Working Ventures they envisioned a fund that would be available to all Canadians as a means to save towards retirement. The tremendous support from investors across the country clearly demonstrates that this vision has become a reality.

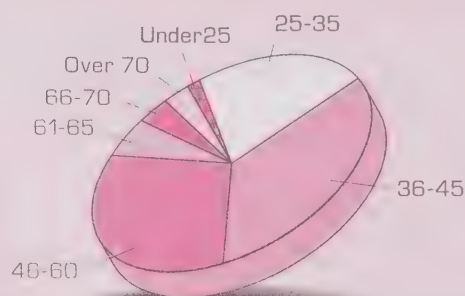
Working Ventures has benefited from the strong support of the financial community. The number of investment dealers whose representatives promote Working Ventures has increased from 144 to 194 over the last year. The Fund has also seen a steady growth in the number of financial

advisors who recommend us to their clients. Over the last three years the number of financial advisors recommending Working Ventures has more than doubled from 3,500 to 7,200.

### Delivering Superior Customer Service

Working Ventures now has 18 well educated, highly skilled individuals in the Marketing Department who are committed to providing investment advisors and shareholders with superior service. This team is structured in a way that is very unique for the mutual fund industry, managing and handling all inquiries from shareholders, financial advisors and potential investors as well as

### Shareholder Age Profile



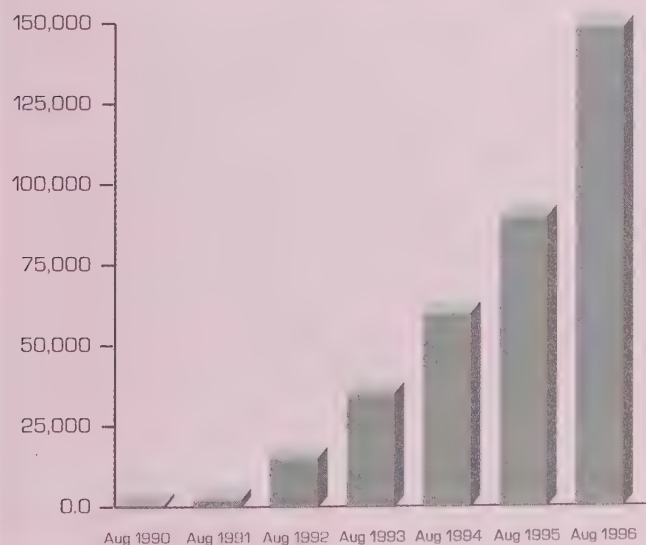
designing, developing and delivering all advertising, promotion and communication programs. We believe that this structure best serves our clients by providing you with a team of individuals who are knowledgeable about all aspects of the Fund.

In October 1995, Working Ventures participated in a research study of the 16 major mutual fund companies in Canada, conducted by Marketing Solutions, a company which specializes in research for the mutual fund industry. I am extremely proud to report to you that Working Ventures not only finished first in the study but was ranked significantly higher than the other participants; a clear indication of our commitment to customer service.

The 1995/96 RRSP season was by far the busiest for our Marketing Department. In February 1996, the staff answered 29,692 telephone inquiries, an increase of 120% over the February 1995 volume of 13,491. In order to meet these volumes, on December 18, 1996, Working Ventures installed a new telephone system which enables callers to remain in a queue temporarily until a Marketing Representative becomes available. This system, along with our committed team of representatives, enabled Working Ventures to maintain our high standard of service during this very busy period.

Throughout the temporary halt in sales the Marketing Department will remain committed to keeping our shareholders and financial advisors up to date on the progress of the Fund. Shareholders will be kept informed on investment activity through our newsletter (Working Ventures NEWS), and other regular communication

### Rapid Growth in Shareholder Base







vehicles such as this Annual Report. We will continue to keep you informed on the progress of the Fund and the exciting new companies we are adding to the portfolio.

#### **Working Hard to Support Investment Advisors**

One of the Marketing Department's primary goals is to create broad awareness of the Fund. Every year we travel across Canada meeting with financial advisors to keep them well informed about the Fund. This year our Marketing Team visited 381 offices and met personally with 2,053 financial advisors. We also participated in 106 public seminars, reaching over 4,900 shareholders and others who were interested in investing in Working Ventures.

The Marketing Department also develops all the print material that financial advisors use to ensure their clients are well informed about Working Ventures, the most popular piece being a personalized brochure which we produce on behalf of financial advisors. This year Working Ventures produced 1.8 million brochures which were distributed to the public in various ways - client mailings, mutual fund forums, seminars, newspaper inserts or as mail-drop flyers.

#### **Preparing for an Aggressive Re-launch**

This halt in sales gives the Marketing Department the opportunity to step back and evaluate investors' reaction to the recent changes in the labour sponsored investment fund program benefits and to examine our marketing strategies in this new environment. Formal research involving focus groups and telephone interviews with shareholders and financial advisors will be completed in August and September, 1996. The results will help us shape a marketing strategy for our re-launch that will confirm Working Ventures' position as Canada's Leading Labour Sponsored Investment Fund. Your Fund is already the labour sponsored investment fund of choice of over 147,000 Canadians and we intend to maintain this leadership position in the years ahead.

#### **Capital Raised by Province Fiscal 1996**

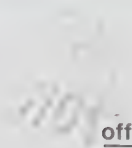
<b>Prince Edward Island</b>	<b>\$ 7.3</b>
<b>Saskatchewan</b>	<b>41.3</b>
<b>Ontario</b>	<b>283.1</b>
<b>New Brunswick</b>	<b>17.9</b>
<b>Nova Scotia</b>	<b>12.6</b>
<b>Rest of Canada</b>	<b>1.2</b>
<b>Total</b>	<b>\$363.4</b>

## ***www.workingventures.ca***

**(Working Ventures On The World Wide Web)**

Coming in November, Working Ventures' new Internet site has been designed with you in mind. Over the past several months, shareholders and financial advisors from Charlottetown to Saskatoon were asked what information they want from Working Ventures. We've responded by constructing this comprehensive web site, with all the latest fund facts including returns, press releases and recent venture investments. You can learn the history of the Fund, view stats on the economic impact of our investment activity or access information for entrepreneurs interested in contacting us for financing. You can even view our venture capital portfolio by region and see the investments we've made in or near your home town! (there are actually details on all the Canadian companies in which we have invested and direct links to the many that also have web sites).

Watch for the launch of our site early in November and be sure to send us your comments and suggestions (by email, of course) at [info@workingventures.ca](mailto:info@workingventures.ca)



**off the press**



**Fund Facts**



**Search**





## Administration Department Report



Ron Cannata, C.A.  
Senior Vice-President, Administration  
and Treasurer

The past year has again been an exciting and challenging year for the Administration Department. A 73 % increase in assets under management, a 66 % increase in the number of shareholders, a significant increase in staff levels across the company, an aggressive increase in the pace of investing, and renewed focus as a result of the development of a five year strategic plan, have all contributed to the need for more

management depth within the department. The positions of General Counsel, Manager, Financial Analysis and Planning and Manager, Information Systems were filled during the year.

### Shareholder Administration

An unprecedented 110,000 subscription orders for Class A shares were processed during the year, compared with 64,000 in the previous year. We are pleased to report that our computer systems handled the increased volume well; we will continue to commit significant resources to this area to ensure high levels of service to our shareholders and distributing brokers and dealers.

Working Ventures and the rest of the labour sponsored investment fund (LSIF) industry face special challenges because of the unique LSIF characteristics. We are currently working with our distributors and other members of the LSIF industry to ensure our systems and procedures efficiently meet their needs. On-going services to existing shareholders and dealers will continue to be a top priority.

### Operations

Working Ventures continues to be among the lowest cost providers of LSIF's, as measured by the management expense ratio (MER). The MER is calculated as expenses incurred during the year divided by average assets outstanding during the year. The MER this year was 2.67% versus 2.69% last year. Working Ventures has been able to maintain its leadership position in cost control because of a disciplined, well-trained and committed staff throughout the organization, backed by solid computer systems support.

During the year a new portfolio accounting system was acquired and will be fully operational shortly. This system tracks, for each venture investment, purchases, dispositions, interest and dividend income, realized and unrealized gains and losses, and rates of return.

A new telephone system was implemented prior to the

1996 RRSP season to handle the enormous volume of calls received. Further upgrades are planned in order to give shareholders and dealers more choice in the way that they obtain information from Working Ventures.

Internet access was made available to employees of Working Ventures during the year. A key use of the Internet is for investment research purposes. Working Ventures will also have its own web-site on the Internet in November, 1996.

### Operations Plan

A primary objective in the Operations area is to identify and take greater advantage of technology, in a cost effective way, and to provide superior service levels to Working Ventures' shareholders, dealers, employees and other constituencies. Better integration of information throughout the company and more formal and structured training programs for employees is required. The Administration department is committed to meeting the objectives of the operations plan and has developed detailed tactics to ensure its success.

### Internal Control

The Administration Department is responsible for maintaining the integrity of corporate information systems designed to ensure effective stewardship of the Fund's assets. We are committed to ensuring that policies, procedures and computer systems continue to meet the highest standards in the areas of financial control and compliance with the rules of the various bodies regulating the Fund.



*The Administration Department at Working Ventures works diligently to keep within a disciplined management expense ratio.*





## Directors of Working Ventures

<b>Name and Municipality of Residence</b>	<b>Office</b>	<b>Principal Occupation</b>
<b>Richard C. Albright</b> Edmonton, Alberta	Member, Investment Committee	International Vice-President, International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers (labour union)
<b>Dr. Lloyd I. Barber</b> Regina Beach, Saskatchewan	Member, Audit Committee Member, Human Resources Committee	President Emeritus, University of Regina
<b>Ronald A. Begg</b> Toronto, Ontario	President	President, Working Ventures
<b>James Biddle</b> Surrey, British Columbia	Member, Valuation Committee	Retired Union Executive
<b>André Chartrand</b> Terrebonne, Québec	Member, Audit Committee	International Vice-President for Eastern Canada, Heat & Frost Insulators and Asbestos Workers (labour union)
<b>John E. Cole</b> York County, New Brunswick	Chair, Human Resources Committee	Business Manager, International Brotherhood of Electrical Workers, Local Union 2309 (labour union)
<b>Dr. Wendy Dobson</b> Ashburn, Ontario	Chair, Valuation Committee Member, Human Resources Committee	Professor and Director, Centre for International Business, University of Toronto
<b>A. George Fells</b> Toronto, Ontario	Chair, Investment Committee Member, Valuation Committee	President, A. George Fells Consulting Inc. (venture capital and business development consultant)
<b>Michel A. Grenier</b> Aylmer, Québec	Member, Investment Committee Member, Audit Committee	International Representative, United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada (labour union)
<b>Robert W. Luba</b> Toronto, Ontario	Member, Investment Committee Member, Audit Committee	President, Luba Financial Inc. (merchant banking)
<b>James A. McCambly</b> Ottawa, Ontario	Chairman Member, Investment Committee Member, Human Resources Committee	President, Canadian Federation of Labour (labour union organization)
<b>R. Geoffrey P. Styles</b> Toronto, Ontario	Chair, Audit Committee Member, Investment Committee Member, Valuation Committee	Corporate Director
<b>Peter E. Verrege</b> Stoney Creek, Ontario	Member, Audit Committee	Canadian Regional Director, International Union of Elevator Constructors (labour union)





## Officers of Working Ventures

<b>Name and Municipality of Residence</b>	<b>Office</b>	<b>Principal Occupation</b>
<b>James A. McCambly</b> Ottawa, Ontario	Chairman & Director of Working Ventures	President, Canadian Federation of Labour
<b>Ronald A. Begg</b> Toronto, Ontario	President and Director	President, Working Ventures
<b>Corinne E. Alaily</b> Oakville, Ontario	Vice-President, Investor and Dealer Service	Vice-President, Working Ventures
<b>Ronald J. Cannata</b> Toronto, Ontario	Senior Vice-President, Administration and Treasurer	Senior Vice-President, Working Ventures
<b>William J. Danis</b> Toronto, Ontario	Vice-President, Investments	Vice-President, Working Ventures
<b>James W. Hall</b> Etobicoke, Ontario	Senior Vice-President, Investments	Senior Vice-President, Working Ventures
<b>Julia E. Makepeace</b> Toronto, Ontario	Senior Vice-President, Marketing	Senior Vice-President, Working Ventures
<b>Susan M. Silma</b> North York, Ontario	General Counsel and Secretary	General Counsel, Working Ventures
<b>W. James Whitaker</b> Toronto, Ontario	Vice-President, Investments	Vice-President, Working Ventures

## Senior Management Team



*Back Row: Ron Cannata, Susan Silma, Ron Begg, Corrine Alaily, Jim Hall  
Front Row: Jim Whitaker, Julie Makepeace, Bill Danis*



## Management's Responsibility for Financial Reporting

To the Shareholders of  
**Working Ventures Canadian Fund Inc.**

The accompanying financial statements of **Working Ventures Canadian Fund Inc.** are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management based on the information available to September 6, 1996 and are in accordance with generally accepted accounting principles and reflect management's best estimates and judgements.

Management has established systems of internal controls which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors discharges its duties relating to the financial statements primarily through the activities of its Valuation Committee and its Audit Committee, which are composed of members of the Board of Directors.

The Valuation Committee has responsibility for determining the value of the Fund's assets, the net asset value of the Fund and the net asset value of the Class A Shares of the Fund. Ernst & Young, using qualified valuers, valued the Class A Shares as at August 31, 1996. Ernst & Young's valuation of the Class A Shares is not materially different from that determined by the Valuation Committee.

The Audit Committee meets with management to ensure that management is performing responsibly to maintain financial controls and systems, and to review the financial statements of the Fund. The Audit Committee also meets with the independent auditors to discuss the audit approach, the review of internal accounting controls and the results of their examination, prior to submitting the financial statements to the Board of Directors and recommending its approval thereof. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young, Chartered Accountants. The auditors' report outlines the scope of their audits and their opinions on the financial statements.

September 6, 1996.

Ron Begg  
President and  
Chief Executive Officer

Ron Cannata, C.A.  
Chief Financial Officer





## Auditors' Report

To the Shareholders of

### **Working Ventures Canadian Fund Inc.**

We have audited the statements of financial position of **Working Ventures Canadian Fund Inc.** as at August 31, 1996 and 1995, the statement of investment portfolio as at August 31, 1996 and the statements of income and expenses, retained earnings and changes in net assets for the years ended August 31, 1996 and 1995. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at August 31, 1996 and 1995, the investments held as at August 31, 1996 and the results of its operations and the changes in its net assets for the years ended August 31, 1996 and 1995 in accordance with generally accepted accounting principles.

Toronto, Canada,  
September 6, 1996.

*Ernst + Young*

Chartered Accountants

**Statements of Financial Position**

[in thousands except per share amounts]

As at August 31	1996	1995
<b>ASSETS AND LIABILITIES</b>		
<b>Assets</b>		
Marketable securities, at market value	\$ 622,115	\$ 358,310
Venture investments, at fair value	205,394	114,617
Accrued interest receivable	11,906	6,004
Cash	295	295
Marketable securities sold	—	1,401
Prepaid expenses and accounts receivable	1,849	1,927
Refundable income taxes	6,629	619
Other refundable taxes and penalties [note 9]	60,255	—
Deferred charges, net of accumulated amortization of \$9,831 [1995 - \$5,219]	39,273	22,814
Capital assets, net [note 3]	1,365	1,120
<b>Total assets</b>	<b>949,081</b>	<b>507,107</b>
<b>Liabilities</b>		
Redemptions payable	556	483
Accounts payable and accrued liabilities	6,320	2,561
Marketable securities purchased	—	1,974
Income taxes payable	8,166	2,292
Other taxes and penalties payable [note 9]	70,568	139
Deferred income taxes	2,220	1,653
<b>Total liabilities</b>	<b>87,830</b>	<b>9,102</b>
<b>Net assets</b>	<b>\$ 861,251</b>	<b>\$ 498,005</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital [note 5]		
Subscriptions, net of redemptions, at cost	818,872	468,083
Retained earnings capitalized by additions to the stated capital account	25,696	17,571
Realized gains capitalized by additions to the stated capital account	10,346	—
<b>Total share capital</b>	<b>854,914</b>	<b>485,654</b>
Retained earnings	2,430	4,453
Undistributed net realized gains on sale of investments [note [4a]]	7,292	1,326
Unrealized appreciation (depreciation) of investments [note [4b]]	(3,385)	6,572
	<b>\$ 861,251</b>	<b>\$ 498,005</b>
<b>Class A Shares outstanding</b>	<b>63,240</b>	<b>37,621</b>
<b>Net asset value per Class A Share</b>	<b>\$13.62</b>	<b>\$13.24</b>

See accompanying notes

On behalf of the Board:

James A. McCambly  
DirectorRonald A. Begg  
Director





## Statements of Income and Expenses

[in thousands except per share amounts]

Years ended August 31	1996	1995
<b>INCOME</b>		
Interest income - marketable securities	\$ 36,180	\$ 23,436
Interest income - venture investments	6,842	2,761
Net investment fees and other income	1,685	1,479
	<b>44,707</b>	<b>27,676</b>
<b>EXPENSES</b>		
Administration	1,215	1,035
Audit fees	41	35
Custodian fees	41	36
Depreciation and amortization	343	177
Directors' fees	276	172
Legal fees	537	372
Liquid portfolio management fee [note 6]	339	258
Salaries and benefits [note 7]	7,632	3,692
Sales and distribution	1,626	1,403
Shareholders' communication	876	545
Transfer agent services	1,470	1,539
Total expenses	<b>14,396</b>	<b>9,264</b>
Income before income taxes and other taxes and penalties	<b>30,311</b>	<b>18,412</b>
Provision for income taxes and other taxes and penalties [note 9]		
Current income taxes	7,046	4,275
Deferred income taxes	1,752	699
Other taxes and penalties [note 9]	10,313	140
	<b>19,111</b>	<b>5,114</b>
<b>Net income for the year</b>	<b>11,200</b>	<b>13,298</b>
<b>Earnings per Class A Share</b>	<b>\$ 0.22</b>	<b>\$ 0.42</b>

## Statements of Retained Earnings

[in thousands]

Years ended August 31	1996	1995
<b>Retained earnings, beginning of year</b>	<b>\$ 4,453</b>	<b>\$ 4,255</b>
Net income for the year	11,200	13,298
Retained earnings capitalized by additions to the stated capital account for Class A Shares [notes 5 and 9]	(8,125)	(11,407)
Proceeds of redemption of Class A Shares applied to retained earnings	(1,450)	(344)
Amortization of deferred charges of \$4,833 [1995 - \$2,837], net of related income taxes of \$1,185 [1995 - \$695]	(3,648)	(2,142)
Federal government grant applied to deferred charges of nil [1995 - \$1,050], net of related income taxes of nil [1995 - \$257] [note 8]	—	793
<b>Retained earnings, end of year</b>	<b>\$ 2,430</b>	<b>\$ 4,453</b>

See accompanying notes



## Statements of Changes in Net Assets

[in thousands except per share amounts]

Years ended August 31	1996	1995
Net assets, beginning of year	\$ 498,005	\$ 296,515
Changes during the year:		
Investment activities		
Net income for the year	11,200	13,298
Net realized gains on sale of investments [a]	16,312	2,110
Unrealized appreciation (depreciation) of investments [note 4[b]]	(9,957)	7,821
	17,555	23,229
Capital transactions [note 5]		
Proceeds from issue of Class A Shares	363,398	184,600
Amounts paid for Class A Shares redeemed	(14,059)	(4,990)
Amortization of deferred charges relating to the issue of Class A Shares, net of related government grants and income taxes	(3,648)	(1,349)
	345,691	178,261
Net assets, end of year	\$ 861,251	\$ 498,005

### [a] Net realized gains (losses) on sale of investments

#### Marketable securities

Bonds at cost, beginning of year	218,334	123,881
Bonds purchased during the year	235,290	274,728
	453,624	398,609
Bonds at cost, end of year	301,356	218,334
Cost of bonds sold	152,268	180,275
Proceeds on sale of bonds	155,151	180,002
Net realized gains (losses) on sale of marketable securities [note 4[a]]	2,883	(273)

#### Venture investments

Venture investments at cost, beginning of year	109,175	49,164
Venture investments purchased during the year	120,617	65,594
	229,792	114,758
Venture investments at cost, end of year	212,125	109,175
Cost of venture investment dispositions	17,667	5,583
Proceeds from sale of venture investments	31,096	7,966
Net realized gains on sale of venture investments [note 4[a]]	13,429	2,383
Total net realized gains on sale of investments	\$ 16,312	\$ 2,110

### [b] Proceeds on short-term investments redeemed during the year

\$ 2,015,520 \$ 1,677,066

### [c] Net asset value per Class A Share

August 31, 1996	\$ 13.62
August 31, 1995	13.24
August 31, 1994	12.56
August 31, 1993	12.35
August 31, 1992	11.92
August 31, 1991	11.47
August 31, 1990	10.62

See accompanying notes





## Statement of Investment Portfolio As at August 31, 1996

[in thousands]

### Marketable Securities

Par value	Issuer	Coupon rate %	Maturity date	Average cost	Market value	Percentage of net assets
<b>Short-term investments *</b>						
\$ 156,284	Government of Canada Treasury Bills			\$ 150,098	\$ 150,098	
34,800	Ontario Hydro Promissory Notes			34,484	34,484	
17,100	Province of Nova Scotia Promissory Note			16,881	16,881	
13,000	Province of New Brunswick Treasury Bills			12,824	12,824	
47,600	Province of Ontario Treasury Bills			45,699	45,699	
36,100	City of Toronto Promissory Notes			35,296	35,296	
21,400	Bankers' Acceptances			21,261	21,261	
870	CIBC Term Deposit			870	870	
327,154				317,413	317,413	36.85%
<b>Bonds</b>						
\$ 19,300	Government of Canada	6.500	September 1, 1998	19,380	19,630	
10,000	Province of New Brunswick	8.250	March 22, 2000	10,370	10,572	
300	Province of Nova Scotia	9.875	March 1, 1998	311	319	
10,000	Ontario Hydro	7.250	March 31, 1998	10,207	10,297	
25,600	Ontario Hydro	9.625	August 3, 1999	27,256	27,986	
25,180	Ontario Hydro	9.375	January 31, 2000	27,046	27,451	
48,911	Ontario Hydro	10.000	March 19, 2001	55,957	55,064	
25,000	Ontario Hydro	9.000	June 24, 2002	27,524	27,383	
7,021	Province of Prince Edward Island	11.375	November 26, 1997	7,651	7,528	
187	Province of Prince Edward Island	9.750	April 30, 2002	207	210	
13,032	Province of Saskatchewan	10.125	July 3, 1998	13,753	14,059	
20,200	Province of Saskatchewan	7.650	November 2, 1998	20,477	20,972	
29,700	Province of Saskatchewan	9.875	July 6, 1999	31,932	32,599	
2,165	Province of Saskatchewan	8.750	June 1, 2001	2,306	2,332	
15,000	Province of Saskatchewan	6.750	February 14, 2000	14,920	15,094	
5,000	Consumers Gas Mid Term Note	7.850	October 3, 2000	5,043	5,202	
6,000	Hudson's Bay Co.	8.000	July 31, 2000	5,995	6,127	
16,500	Imperial Oil Limited	9.875	December 15, 1999	17,430	18,181	
3,600	Nova Scotia Power Mid Term Note	7.600	July 13, 2001	3,591	3,696	
282,696				301,356	304,702	35.38%
<b>Total marketable securities</b>				<b>\$ 618,769</b>	<b>\$ 622,115</b>	<b>72.23%</b>

\* Short-term investments, which are grouped by issuer, earn interest at rates ranging from 4.00% to 5.82% and mature between September 3, 1996 and August 21, 1997.


**Statement of Investment Portfolio - (continued)** As at August 31, 1996

[in thousands]

**Venture Investments**

Investee companies	Debt, at cost	Shares, at cost	Total	Percentage of net assets
<b>Biotechnology</b>				
Biostar Inc.	\$ —	\$ 1,726	\$ 1,726	
Cobequid Life Sciences Inc.	600	953	1,553	
GlycoDesign Incorporated	—	2,000	2,000	
Ibex Technologies Inc.	—	1,190	1,190	
Resolution Pharmaceuticals Inc.	—	1,500	1,500	
Synsorb Biotech Inc.	—	998	998	
Vascular Therapeutics Canada Inc.	—	3,424	3,424	
	600	11,791	12,391	1.44%
<b>Telecommunications</b>				
AlarmForce Industries Inc.	1,213	587	1,800	
LanSer Wireless Inc.	—	3,000	3,000	
Mobile Computing Corporation	—	1,500	1,500	
NovAtel Wireless Technologies Inc.	—	2,748	2,748	
PageMart Canada Holding Corporation	—	2,905	2,905	
PrimeNet Communications Corporation	—	500	500	
Research in Motion Limited	—	3,400	3,400	
	1,213	14,640	15,853	1.84%
<b>Computer</b>				
Beamscope Canada Inc.	—	1,025	1,025	
Cadsoft Holdings Ltd.	—	1,000	1,000	
Cary Peripherals Inc.	425	250	675	
Certicom Corp.	—	154	154	
Coreco Inc.	—	875	875	
Digital Processing Systems Inc.	—	553	553	
DiscoverWare Inc.	—	500	500	
Fulcrum Technologies Inc.	—	188	188	
Gavel & Gown Software Inc.	1,200	*	1,200	
Genesis Microchip Inc.	—	995	995	
Hegyi GeoTechnologies International Inc.	750	*	750	
MPACT Immedia Corporation	—	1,969	1,969	
Nextra Technologies Inc.	2,025	1,575	3,600	
ObjectArts Inc.	500	*	500	
Perle Systems Ltd.	—	1,853	1,853	
Promis Systems Corporation Ltd.	—	1,943	1,943	
Secure Computing Canada Inc.				
[formerly Border Network Technologies Inc.]	—	6,000	6,000	
SimEx Inc.	—	3,000	3,000	
SoftQuad International Inc.	—	1,619	1,619	
Star Data Systems Inc.	—	2,000	2,000	
Teklogix International Inc.	—	481	481	
	4,900	25,980	30,880	3.58%

\* Indicates shares owned but recorded at a nominal value.





**Statement of Investment Portfolio - (continued)** As at August 31, 1996  
[in thousands]

**Venture Investments - (continued)**

Investee companies	Debt, at cost	Shares, at cost	Total	Percentage of net assets
<b>Electronics</b>				
Applied Analytics Corporation	1,500	*	1,500	
Antel Optronics Inc.	\$ 2,500	\$ *	\$ 2,500	
Dalsa Corporation	—	118	118	
Develcon Electronics	—	1,000	1,000	
Dipix Technologies Inc.	1,000	*	1,000	
Lumion Corporation	850	850	1,700	
Virtek Vision International Inc.	—	500	500	
	5,850	2,468	8,318	0.96%
<b>Industrial Automation</b>				
Orchid International Group Inc.	—	10,525	10,525	
	—	10,525	10,525	1.22%
<b>Medical Health</b>				
Life Imaging Systems Inc.	—	1,750	1,750	
Morphometrix Technologies Inc.	—	1,500	1,500	
	—	3,250	3,250	0.38%
<b>Consumer</b>				
1160754 Ontario Inc. [General Wellbeing]	750	*	750	
118680 Ontario Inc. [Gest-Accor Group]	3,700	*	3,700	
3280993 Canada Inc. [Delphi Solutions Inc.]	3,500	*	3,500	
Atlantic Video Lottery Inc.	700	—	700	
CF Hospitality Inc.	4,200	1,000	5,200	
Cleanol Services Inc.	5,000	—	5,000	
Gallop & Gallop Advertising Inc.	2,000	1,000	3,000	
Giftcraft Ltd.	5,000	*	5,000	
Karo (Toronto) Inc. [formerly Taylor & Browning Design Associates Inc.]	2,250	250	2,500	
The KW Optical Group	2,000	*	2,000	
Newgen Restaurant Services Inc. [Mother Tucker's/Tucker'sMarketplace]	3,000	*	3,000	
Norstar Entertainment Inc.	2,500	2,500	5,000	
Recreation Services International (RSI) Inc.	500	*	500	
Rock Entertainment Accessories Inc. [A.V.E. Entertainment & Music City]	2,500	1,500	4,000	
The Hide Market (Acton) Limited	2,850	*	2,850	
The Upper Canada Brewing Company Limited	—	882	882	
Trimark Athletic Supplies Inc.	2,125	375	2,500	
WGCC Holdings Inc. [Willows Golf & Country Club]	3,000	4,000	7,000	
Yogen Frusz World-Wide Inc.	—	3,780	3,780	
	45,575	15,287	60,862	7.07%

\* Indicates shares owned but recorded at a nominal value.


**Statement of Investment Portfolio - (continued)** As at August 31, 1996

[in thousands]

**Venture Investments - (continued)**

Investee companies	Debt, at cost	Shares, at cost	Total	Percentage of net assets
<b>Manufacturing</b>				
603126 Ontario Ltd. [Marsh Engineering Group]	\$ 2,000	\$ *	\$ 2,000	
Algoods Inc.	5,000	*	5,000	
Automatic Cutting Inc.	3,500	*	3,500	
Camelot Superabsorbents Ltd.	—	2,735	2,735	
Canadian Crude Separators Inc.	750	2,250	3,000	
Container Corporation of Canada Ltd.	1,100	1,000	2,100	
EGO Resources Limited	3,000	—	3,000	
Exal Aluminum Inc.	3,000	4,000	7,000	
Hamilton Douglas Industries Limited	2,000	750	2,750	
Helitactics Limited	600	*	600	
Humboldt Flour Mills Inc.	1,724	2,523	4,247	
Icex Inc.	500	300	800	
International Wallcoverings Ltd.	—	950	950	
Jones Packaging Inc.	3,000	*	3,000	
M&I Door Systems Limited	4,250	*	4,250	
MDC Communications Corporation	—	2,352	2,352	
Raymond Steel Ltd.	3,334	1,333	4,667	
Scintrex Limited	—	398	398	
	33,758	18,591	52,349	6.08%
<b>Transportation</b>				
AllCanada Express Ltd.	3,500	*	3,500	
Lower Lakes Towing Ltd.	4,000	*	4,000	
Trentway-Wagar (Properties) Inc.	7,300	*	7,300	
	14,800	*	14,800	1.72%
<b>Miscellaneous</b>				
PEI Capital Inc.	—	147	147	
Claude Resources Inc.	—	2,750	2,750	
	—	2,897	2,897	0.34%
Total venture investments, at cost	106,696	105,429	212,125	24.63%
Unrealized depreciation of venture investments			(6,731)	(0.78%)
<b>Venture investments at fair value</b>			<b>205,394</b>	<b>23.85%</b>
<b>Total investments</b>			<b>827,509</b>	<b>96.08%</b>
Other assets [net of liabilities]			33,742	3.92%
<b>Net assets</b>			<b>\$ 861,251</b>	<b>100.00%</b>

See accompanying notes

\* Indicates shares owned but recorded at a nominal value.





## Notes to Financial Statements August 31, 1996 and 1995 (in thousands unless otherwise noted)

### 1. Corporate Status and Activities

Working Ventures Canadian Fund Inc. [the "Fund"] is registered as a labour sponsored venture capital corporation under the Income Tax Act (Canada) and as a labour sponsored investment fund corporation under the Labour Sponsored Venture Capital Corporations Act, 1992 (Ontario) [the "Ontario Act"]. The Federal and Ontario Acts, and similar legislation in certain other provinces in which the Fund operates, allow an individual to invest in Class A Shares of the Fund and obtain a personal income tax credit.

The Fund commenced active operations on March 1, 1990 on the initial issue of its Class A Shares.

The Fund makes investments ["venture investments"] in small and medium-sized Canadian businesses with the objective of achieving long-term capital appreciation.

### 2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

#### Marketable securities

Short-term investments are valued at amortized cost, which approximates market value.

Bonds are valued on the basis of year-end market quotations. The difference between the market value and the average cost of the bonds is recorded as an unrealized appreciation (depreciation) of marketable securities.

Purchases and sales of marketable securities are recorded on a trade date basis.

#### Venture investments

Venture investments having quoted market values and which are publicly traded on a recognized stock exchange, and are not otherwise restricted or thinly traded securities, are recorded at values based on the quoted market prices at the dates of the statements of financial position.

Venture investments in securities not having quoted market values or in restricted or thinly traded securities are recorded at estimated fair value. Estimated fair value is determined on the basis of the expected realizable value of the venture investments if they were disposed of in an orderly fashion over a reasonable period of time.

The process of valuing venture investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the venture investments.

In certain circumstances, the Fund may have the right to elect a majority of an investee's Board of Directors, or hold a majority of the issued shares of the investee company. However, because of the nature of the venture investment process, such control may not in fact be exercised or the Fund may not intend to maintain such control position, and accordingly, the accounts of investee companies in which the Fund holds greater than 50% of the voting rights are not consolidated with those of the Fund.

#### Capital assets

Capital assets are recorded at cost. The Fund provides for depreciation and amortization on a straight-line basis at rates which are expected to amortize the cost of the capital assets over their estimated useful lives as follows:

Office furniture and equipment	20%
Computer hardware and software	20%
Leasehold improvements	20%

#### Deferred charges

Sales commissions related to the sale of Class A Shares are capitalized as deferred charges. The Fund amortizes such deferred charges, net of related income taxes, on a straight-line basis to retained earnings over eight years from the date of issue of the related shares.

Redemptions prior to eight years from the date of issue are charged an early redemption fee. The early redemption fee is applied against the unamortized deferred charges related to such share subscriptions. Any resulting gain or loss is recorded in income at the time of redemption.

#### Income recognition

Interest income, net investment fees and other income are recorded on an accrual basis.



## Notes to Financial Statements August 31, 1996 and 1995

(in thousands unless otherwise noted)

### 3. Capital Assets

Capital assets consist of the following:

	1996			1995		
	Cost	Accumulated depreciation/amortization	Net book value	Cost	Accumulated depreciation/amortization	Net book value
Office furniture and equipment	\$ 912	\$ 312	\$ 600	\$ 667	\$ 181	\$ 486
Computer hardware and software	881	314	567	613	169	444
Leasehold improvements	279	81	198	217	27	190
	\$2,072	\$ 707	\$1,365	\$1,497	\$ 377	\$1,120

### 4. Realized and Unrealized Investment Gains (Losses)

#### [a] Undistributed net realized gains (losses) on sale of investments

	Net realized gains (losses)		Capital gains dividends*	Net undistributed amount
	Marketable securities	Venture investments		
Balance, August 31, 1994	\$ (784)	\$ —	\$ —	\$ (784)
1995 net realized gains (losses) and dividends	(273)	2,383	—	2,110
Balance, August 31, 1995	(1,057)	2,383	—	1,326
1996 net realized gains and dividends	2,883	13,429	(10,346)	5,966
Balance, August 31, 1996	\$1,826	\$15,812	\$ (10,346)	\$ 7,292

\* Dividends represent net realized gains capitalized by additions to the stated capital account for Class A Shares [note 9].

#### [b] Unrealized appreciation (depreciation) of investments

	Marketable securities	Venture investments	Total
Balance, August 31, 1994	\$(2,090)	\$ 841	\$ (1,249)
1995 change in unrealized appreciation	3,220	4,601	7,821
Balance, August 31, 1995	1,130	5,442	6,572
1996 change in unrealized appreciation (depreciation)	2,216	(12,173)	(9,957)
Balance, August 31, 1996	\$ 3,346	\$ (6,731)	\$ (3,385)





## Notes to Financial Statements August 31, 1996 and 1995

(in thousands unless otherwise noted)

### 5. Share Capital

The following is a description of the authorized and issued share capital:

#### Authorized

Unlimited Class A Shares, issuable from treasury, discretionary dividend entitlement, voting, restrictions on transfer and redemption, redeemable at the net asset value less any redemption fee, entitled to elect two of thirteen directors.

1,000 Class B Shares, issuable only to the sponsor of the Fund, no dividend entitlement, voting, entitled to elect eleven of thirteen directors.

Unlimited Class C Shares issuable in series.

#### Issued [for cash]

	1996		1995	
	#	\$	#	\$
<b>Class A Shares</b>				
Balance, beginning of year	37,621	485,654	23,614	294,294
Issued during the year	26,648	363,398	14,392	184,600
Redeemed during the year	(1,029)	(12,609)	(385)	(4,647)
Retained earnings capitalized by additions to the stated capital account [note 9]	—	8,125	—	11,407
Undistributed net realized gains capitalized by additions to the stated capital account [notes 4[a] and 9]	—	10,346	—	—
Balance, end of year	63,240	854,914	37,621	485,654
<b>Class B Shares</b>				
Balance, beginning and end of year	1	—	1	—
		854,914		485,654

#### Class A Share subscriptions

On June 5, 1996, the Fund ceased distribution of its Class A Shares for a period of at least one year.

Sales commissions related to the issue of Class A Shares during the year totalled \$21,803 [1995 - \$11,076].

#### Redemption of Class A Shares

A shareholder may redeem all or part of the Class A Shares held at the net asset value per Class A Share, subject to certain restrictions.



## Notes to Financial Statements August 31, 1996 and 1995

(in thousands unless otherwise noted)

### Retained earnings and net realized gains capitalized by additions to the stated capital account for Class A Shares [note 9]

The table below shows the retained earnings and net realized gains capitalized by additions to the stated capital account for Class A Shares, on a per share basis, since the Fund's inception.

	Retained earnings	Net realized gains
August 31, 1996	\$ 0.20	\$ 0.24
August 31, 1995	\$ 0.36	—
August 31, 1994	\$ 0.28	—
August 31, 1993	\$ 0.09	—
August 31, 1992	\$ —	—
August 31, 1991	\$ 0.57	—

### 6. Liquid Portfolio Management Fee

The Fund retained RT Capital Management Inc. ["RT"] as the portfolio manager of the Fund's marketable securities by agreement dated January 31, 1994. RT receives a fee calculated monthly and charged quarterly based on a percentage of the market value of the assets under management.

### 7. Salaries and Benefits

The Fund employs and pays salaries to individuals who are responsible for the evaluation of proposed investments, the preparation of recommendations for investments, the day-to-day management of existing investments, the preparation of comprehensive reports which include recommendations for the value of assets for which no published market exists, the distribution of shares of the Fund through registered dealers and for the general administration of the Fund.

### 8. Federal Government Grant

In prior years the Fund received a federal government grant for proceeds totalling \$14,550. The grant is not repayable unless the Fund misappropriates the grant, or does not carry out in a satisfactory fashion the activities for which the grant was intended.

### 9. Income Taxes and Other Taxes and Penalties

Under the Income Tax Act (Canada), no income taxes are payable by the Fund on dividends received from Canadian corporations, and income taxes payable on capital gains will be fully refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid or deemed to be paid by the Fund to its shareholders. Income taxes have been provided for based upon draft federal tax legislation. If enacted, the legislation will provide a partial refund of taxes payable on investment income earned by the Fund upon the payment of taxable dividends. In addition, the proposed legislation will increase the rate of tax imposed on the Fund. This increased tax will be refundable to the Fund on payment of taxable dividends.

The Fund records the refundable portion of its income taxes as an asset, as it intends to recover all of its refundable income taxes through the deemed payment of a dividend by capitalizing the appropriate amount of its income and/or realized capital gains pro rata to the stated capital account for its Class A Shares. If and to the extent the Fund increases the stated capital of the Class A Shares, the holder of the shares will be deemed to have received a dividend and/or a realized capital gain and the adjusted cost base of the shareholder's shares will be increased by the amount of any deemed dividend. The shareholders approved, on November 14, 1995, the capitalization by additions to the stated capital account for Class A Shares of an estimated amount of retained earnings and undistributed net realized gains on investments. This should allow the Fund to obtain a refund of its refundable income taxes up to February 28, 1997 for income tax purposes. For the year ended August 31, 1996, the Fund capitalized \$8,125 [1995 - \$11,407] of retained earnings and \$10,346 [1995 - nil] of undistributed net realized gains on investments by additions to the stated capital account to effect such income tax refunds.





## Notes to Financial Statements August 31, 1996 and 1995

(in thousands unless otherwise noted)

Both the Income Tax Act (Canada) and the Ontario Act set minimum levels of qualifying venture investments for the Fund. If the minimum level of qualifying venture investments is not met under each statute, the Fund will be subject to defined taxes and penalties.

The federal government has proposed to amend the legislation imposing tax penalties. On the basis of the proposed legislation, the Fund has incurred a non-refundable liability for federal taxes and penalties during fiscal 1996 of approximately \$271 [1995 - \$140]. The Fund is currently in compliance with the requirements of the Income Tax Act (Canada). However, the Fund expects to incur additional federal taxes and penalties after February 28, 1997, until such time as the required minimum level of qualifying investments is reached. The additional federal taxes and penalties are largely refundable once the minimum level of qualifying venture investments is reached and maintained. The additional estimated liability of \$70,297 and the estimated refundable portion of \$60,255 have been accrued in the financial statements.

The Fund is in compliance with the requirements of the Ontario Act at August 31, 1996. The Ontario government has proposed to amend the legislation governing the timing and minimum level of qualifying venture investments which must be met. It is not clear how Ontario tax penalties will be applied nor the extent to which and the method by which these penalties would be refunded. Accordingly, the amounts and timing of the penalties that may arise is not determinable and no accrual has been made in these financial statements. Once the proposed legislation has been clarified, the Fund will make appropriate accruals, if necessary. The amounts of these accruals may be material.

The amounts of taxes and penalties reflected in these financial statements is based on management's best estimate of the amounts that will ultimately be assessed. This determination is based on numerous factors such as the pace at which the Fund makes qualifying venture investments, the amount of share capital raised and redeemed, and the net income and the undistributed net realized gains (losses) on sale of investments by the Fund. Should actual events not agree with the estimates made by management of the Fund, material adjustments to the amounts of taxes and penalties may be required.

The Fund's effective income tax rate on its income, before other taxes and penalties, has been determined as follows:

	1996	1995
Canadian statutory income tax rate	51.3 %	45.6 %
Refundable income taxes recorded as an asset	(26.7)	(21.9)
Large Corporations Tax and other	4.4	3.3
	29.0 %	27.0 %

## 10. Commitments and Contingencies

### [a] Venture investments

As at August 31, 1996, the Fund had approved, but not closed, ten venture investments in equity and subordinated term loans totalling \$15,500 [1995 - \$3,500].

In addition, the Fund has committed to invest an additional \$1,140 in two existing venture investments depending on each company fulfilling certain conditions as defined in their respective shareholders' agreement.

The Fund has issued a letter of credit on behalf of an investee company for \$200.



## Notes to Financial Statements August 31, 1996 and 1995

(in thousands unless otherwise noted)

### [b] Operating lease commitments

The Fund has entered into an operating lease for its premises covering a ten-year period to May 31, 2005. The future minimum lease payments under this operating lease agreement are estimated as follows:

1997	\$ 320
1998	320
1999	320
2000	325
2001	340
Thereafter	1,275
	<u>\$2,900</u>

### 11. Management Expense Ratio

The table below shows the expenses paid by the Fund for the past six years expressed as a percentage of the average net assets administered during each of those years. Expenses have been adjusted to include the amortization of deferred charges ["commissions"] and the portion of the federal government grant applied against deferred commissions and to exclude the Goods and Services Tax ["GST"]. The increase in the management expense ratio in 1995 and thereafter is mainly due to the completion of funding under the federal government grant [note 8].

	Ratio
August 31, 1996	2.67%
August 31, 1995	2.69%
August 31, 1994	2.20%
August 31, 1993	2.10%
August 31, 1992	2.03%
August 31, 1991	—

### 12. Brokerage Commissions

Brokerage commissions paid on investment portfolio transactions by the Fund for the year ended August 31, 1996 totalled \$73 [1995 - \$21].

### 13. Related Party Transactions

During the year, the Fund recognized venture investment fees totalling \$25 [1995 - \$105] and recognized interest totalling \$1,060 [1995 - \$508] from investee companies which are controlled by the Fund.

At August 31, 1996, interest of \$566 [1995 - \$134] was receivable from these investee companies.

### 14. Investment Portfolio

The Fund will provide without charge a Statement of Portfolio Transactions [unaudited] upon request by any shareholder of the Fund at 250 Bloor Street East, Suite 1600, Toronto, Ontario M4W 1E6.





## The Working Ventures Team

Andrew Abouchar, Adam Adamou, Leela Akerboom, Corinne Alaily, Esther Alejo, James Armstrong, Matthew Asser, Ron Begg, Rick Britnell, Rand Brown, Oriole Burton, David Campbell, Ron Cannata, Paul Cataford, Karmen Chau, Scott Clark, Bill Danis, Peter Doner, Patricia Fazio, Valerie Fisher, Mohani Gabriel, Michael Graham, David Grant, Chris Guthrie, Jim Hall, Yasmin Hasham, Geoff Horton, Rick Jankura, Shawn Kimel, Norm Kumar, Keith Leonard, Marc Lipton, Stephen Lund, Khalil Maalouf, Julie Makepeace, Geoffrey Marshall, Dave Mason, Graham Matthews, Eliza McDougall, Margaret McFarlane, Alistair McKinnon, Vallerie Millen, Don Morrison, Brad Munro, Myrna Murphy, Stephanie Nobbs, Ari Ondrack, Ron Pante, Helen Parente, Tim Patterson, Barry Richards, Michael Roche, David Rogers, Andrew Schaefer, Karl Schumann, Valerie Scott, Elizabeth Seger, Susan Silma, John Sinkins, Nancy Tassone, Annmarie Thompson, Steven Trunks, Mark Vandenhazel, Jim Whitaker, Robert Wilson, Bonnie Wright, Bruce Wylie.

**General Counsel:**

McMillan Binch

**Auditors:**

Ernst & Young

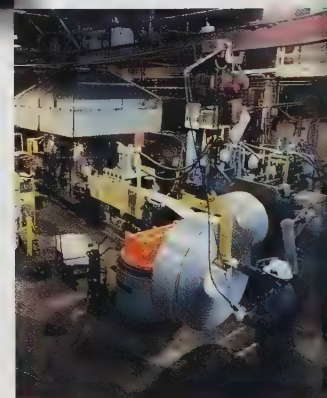
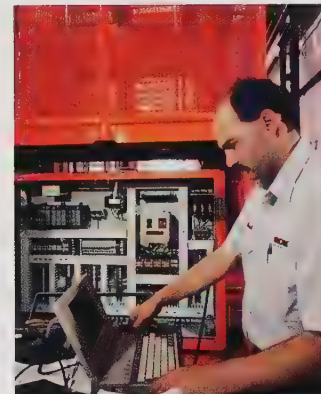
**Custodian:**

Bank of Nova Scotia









#### Head Office

250 Bloor Street East  
Suite 1600, Toronto, Ontario  
M4W 1E6

email: [info@workingventures.ca](mailto:info@workingventures.ca)

#### Investment Department

Tel: (416) 934-7777  
1-800-463-1652  
Fax: (416) 929-2421

#### Marketing Department (Investor & Dealer Service)

Tel: (416) 922-5479  
1-800-268-8244  
Fax: (416) 929-2752

#### Administration Department

Tel: (416) 934-7777  
1-800-463-1652  
Fax: (416) 929-0901

#### Investment Offices

##### Saskatchewan

Brad Munro  
(Branch Manager/  
Senior Investment Manager)

880-410 22nd Street East  
Saskatoon, Saskatchewan  
S7K 5T6

Tel: (306) 242-1023  
Fax: (306) 653-8886

##### South Western Ontario

Richard Jankura  
(Branch Manager/  
Investment Manager)

148 York St., Suite 202  
London, Ontario  
N6A 1A9

Tel: (519) 645-2120  
Fax: (519) 645-3051

##### Ottawa

Bonnie Wright  
(Branch Manager/  
Investment Manager)

9 Antares Drive  
Nepean, Ontario  
K2E 7V5

Tel: (613) 225-4775  
Fax: (613) 225-4508

##### New Brunswick

Valerie Millen  
(Branch Manager/  
Investment Manager)

133 Prince William St.  
Saint John, New Brunswick  
E2L 2B5

Tel: (506) 652-5704  
Fax: (506) 652-5706

##### Nova Scotia

Stephen Lund  
(Branch Manager/  
Investment Manager)

Purdy's Wharf, Tower 1,  
1959 Upper Water St., Suite 407  
Halifax, Nova Scotia B3J 3N2

Tel: (902) 492-2292  
Fax: (902) 492-1101







WORKING VENTURES  
CANADIAN FUND INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of the shareholders of Working Ventures Canadian Fund Inc. (the "Corporation") will be held at News Theatre, 98 The Esplanade, Toronto, Ontario on Tuesday, November 19, 1996 at 2:00 p.m. (Toronto time), for the following purposes:

1. to receive the financial statements of the Corporation for the year ended August 31, 1996 and the auditors' report thereon;
2. to elect directors for the ensuing year;
3. to appoint auditors for the ensuing year and to authorize the directors to fix their remuneration;
4. to consider and, if thought advisable, pass a special resolution approving the addition, on or before each of the months of May, August and November, 1997 and February, 1998, of amounts (calculated in the manner described in the management information circular accompanying this notice) to the stated capital account maintained by the Corporation in respect of its Class A shares; and
5. to transact such other business as may properly come before the meeting or any adjournment thereof.

A copy of this notice and the attached management information circular is being sent to each director, each shareholder and the auditors of the Corporation.

DATED this 27th day of September, 1996.

By order of the Board of Directors,

SUSAN M. SILMA  
General Counsel and Secretary

Shareholders who are unable to be present at the meeting are requested to complete the enclosed form of proxy and return it in the envelope provided by November 15, 1996.



## **WORKING VENTURES CANADIAN FUND INC. MANAGEMENT INFORMATION CIRCULAR**

### **Solicitation of Proxies**

This management information circular is being furnished in connection with the solicitation by management of Working Ventures Canadian Fund Inc. (the "Corporation" or "Working Ventures") of proxies for use at the annual and special meeting of shareholders (the "Meeting") of the Corporation to be held at the time and place and for the purposes set forth in the attached notice of meeting. The solicitation of proxies will be primarily by mail but proxies may be solicited by other means of delivery or by telephone by directors, officers or employees of the Corporation. The cost of the solicitation will be borne by the Corporation. The information given in this management information circular, unless otherwise stated, is as at September 27, 1996.

### **Appointment of Proxyholders**

The persons named in the accompanying form of proxy are directors of the Corporation. A shareholder may appoint some other person as proxyholder (who need not be a shareholder or director) to attend and act on his or her behalf at the Meeting either by inserting the person's name in the blank space provided in the form of proxy or by completing another proper form of proxy.

If you are unable to attend the meeting in person, please complete and sign the enclosed proxy and return it in the enclosed envelope in order that it is received on or before 2:00 p.m. (Toronto time) on Friday, November 15, 1996 or, if the Meeting is adjourned, on the second business day preceding the adjourned meeting.

### **Right of Revocation**

Shareholders may revoke a proxy by depositing an instrument in writing executed by them or by their attorney authorized in writing at the registered office of the Corporation at any time up to and including the last business day before the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

### **Voting of Proxies**

The Chairman of the Meeting may conduct a vote on any matter by a show of hands of shareholders and proxyholders present at the Meeting and entitled to vote thereat unless a ballot is demanded by a shareholder present at the Meeting or by a proxyholder entitled to vote at the Meeting or unless proxies representing not less than 5 per cent of the shares entitled to be voted at the Meeting would be voted against what would otherwise be the decision of the Meeting on such matter.



The persons named in the accompanying form of proxy will vote on any ballot that may be called for and, where instructions are given with respect to a particular matter to be acted upon, such proxies will be voted in accordance with such instructions. If no instructions are given with respect to the particular matters to be acted upon, such proxies will be voted in favour of the motions.

The accompanying form of proxy also confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the notice of meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As at September 27, 1996, management knows of no such amendments, variations or other matters to come before the Meeting.

Unless otherwise stated, a simple majority of the votes cast either in person or by proxy is sufficient to pass the matters specified in the notice of meeting. In the case of an equality of votes, the Chairman of the Meeting shall not be entitled to a second or casting vote.

### **Voting Shares**

As at September 27, 1996, the authorized capital of the Corporation consisted of an unlimited number of Class A shares, of which 63,184,760 shares were issued and outstanding, an unlimited number of Class B shares, of which 1,000 shares were issued and outstanding, and an unlimited number of Class C shares, of which no shares were issued and outstanding.

A holder of Class A shares or Class B shares of record as at the close of business on October 3, 1996 (the "Record Date") is entitled to one vote for each share held, except to the extent that the shareholder has transferred any of his or her shares after that date and the transferee produces properly endorsed certificates for such shares or otherwise establishes that he or she owns such shares and demands not later than 10 days before the Meeting that his or her name be included in the list of shareholders for the Meeting, in which case the transferee is entitled to vote such transferred shares at the Meeting.

A holder of a fractional Class A share is entitled to exercise voting rights to the extent of such fraction.

### **Principal Owners of Shares**

To the knowledge of the directors and officers of the Corporation, the only person who beneficially owns or exercises control or direction over shares carrying more than 10 per cent of the votes attached to a class of shares of the Corporation is the Canadian Federation of Labour, which owns beneficially and of record, 1,000 Class B shares, representing all of the issued and outstanding Class B shares of the Corporation.

### **Election of Directors**

The articles of the Corporation set the number of directors at 13 and provide that the holders of the Class B shares shall be entitled to elect 11 directors and the holders of the Class A shares shall be entitled as a class to elect 2 directors.

Directors will hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

## *Class B Shares*

The following 11 persons will be nominated at the Meeting for election as directors by the Canadian Federation of Labour, the holder of all the Class B shares of the Corporation, or its duly appointed proxy (the "Sponsor"). All of the proposed nominees are currently directors of the Corporation. If for some reason any of the proposed nominees is unable to serve, the Sponsor will nominate alternates. Management is not aware that any of the proposed nominees will be unable to serve.

Name and residence of proposed nominee	Principal occupation	Date first became a director	Number of Class A shares owned or controlled (1)
RICHARD C. ALBRIGHT (2) ... Edmonton, Alberta	International Vice-President, International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers (labour union)	June 1988	1,429
RONALD A. BEGG ..... Toronto, Ontario	President of the Corporation	April 1989	31,893
JAMES BIDDLE (3) ..... Surrey, British Columbia	Retired Union Executive	June 1988	nil (366 Class A shares have been purchased by Mr. Biddle for a spousal registered retirement savings plan)
ANDRÉ CHARTRAND (5) ..... Terrebonne, Québec	International Vice-President for Eastern Canada, Heat & Frost Insulators and Asbestos Workers (labour union)	September 1995	nil
JOHN E. COLE (4) ..... York County, New Brunswick	Business Manager, International Brotherhood of Electrical Workers Local Union 2309 (labour union)	June 1988	nil (2,098 Class A shares have been purchased by Mr. Cole for a spousal registered retirement savings plan)
A. GEORGE FELS (2)(3) ..... Toronto, Ontario	President, A. George Fells Consulting Inc. (venture capital and business development consultant)	June 1990	1,719 (301 Class A shares have been purchased by Mr. Fells for a spousal registered retirement savings plan)
MICHEL A. GRENIER (2)(5) ..... Aylmer, Québec	International Representative, United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada (labour union)	June 1988	677
ROBERT W. LUBA (2)(5) ..... Toronto, Ontario	President, Luba Financial Inc. (merchant banking)	December 1994	769



Name and residence of proposed nominee	Principal occupation	Date first became a director	Number of Class A shares owned or controlled (1)
JAMES A. McCAMBLY (2)(4) . . . . Ottawa, Ontario	President, Canadian Federation of Labour (labour union organization)	May 1988	1,907 (83 Class A shares have been purchased by Mr. McCambly for a spousal registered retirement savings plan)
R. GEOFFREY P. STYLES (2)(3)(5) . . Toronto, Ontario	Corporate Director	October 1989	nil (1,920 Class A shares have been purchased by Mr. Styles for a spousal registered retirement savings plan)
PETER E. VERREGE . . . . . Stoney Creek, Ontario	Canadian Regional Director, International Union of Elevator Constructors (labour union)	September 1996	1,584

(1) None of the nominees owns or controls any Class B shares of the Corporation.

(2) Member of Investment Committee (Chair - A. George Fells).

(3) Member of Valuation Committee (Chair - Dr. Wendy Dobson).

(4) Member of Human Resources Committee (Chair - John E. Cole).

(5) Member of Audit Committee (Chair - R. Geoffrey P. Styles).

Except for Mr. Biddle, each of the proposed nominees has served as a director since the date he first became a director. Mr. Biddle was a director from June 1988 until September 1990 and has been a director since January 1995. Prior to September 1992, Mr. Verrege was the Business Representative for Local 90 (Hamilton) of the International Union of Elevator Constructors.

### *Class A Shares*

The nominees for election as directors by the holders of the Class A shares of the Corporation, both of whom are currently directors of the Corporation, are Dr. Lloyd I. Barber and Dr. Wendy Dobson.

Name and residence of proposed nominee	Principal occupation	Date first became a director	Number of Class A shares owned or controlled <sup>(1)</sup>
DR. LLOYD I. BARBER <sup>(2)(3)</sup> . . . .	President Emeritus, University of Regina	November 1990	nil (1,716 Class A shares have been purchased by Dr. Barber for a spousal registered retirement savings plan)
DR. WENDY DOBSON <sup>(3)(4)</sup> . . . .	Professor and Director, Centre for International Business, University of Toronto	November 1990	759

(1) Neither of the nominees owns or controls any Class B shares of the Corporation.

(2) Member of Audit Committee (Chair - R. Geoffrey P. Styles).

(3) Member of Human Resources Committee (Chair - John E. Cole).

(4) Member of Valuation Committee (Chair - Dr. Wendy Dobson).

Each of the proposed nominees has served as a director since the date he or she first became a director.

### **Executive Compensation**

#### *Compensation of Named Executive Officers*

The following table provides a summary of compensation earned during each of the last three financial years by the Corporation's chief executive officer and the three other most highly compensated executive officers of the Corporation (the "Named Executive Officers"). No other persons who come within the definition of executive officers of the Corporation received compensation exceeding \$100,000.



## Summary Compensation Table

Name and Principal Position	Annual Compensation				All Other Compensation (\$ (3))
	Year Ended August 31,	Salary (\$)	Bonus (\$ (1))	Other Annual Compensation (\$ (2))	
Ronald A. Begg President and chief executive officer	1996	250,000	62,500	12,500	662,422
	1995	236,862	49,300	5,922	114,574
	1994	231,084	48,123		762
Ronald J. Cannata Senior Vice-President, Administration and Treasurer	1996	120,000	30,000	6,000	110
	1995	112,416	23,400	2,810	358
	1994	78,750	16,400		231
James W. Hall Senior Vice-President, Investments	1996	200,000	50,000	10,000	662,326
	1995	174,308	36,293	4,357	114,395
	1994	154,218	32,116		520
Julia E. Makepeace Senior Vice-President, Marketing	1996	130,000	32,500	6,500	385
	1995	120,600	25,097	3,015	376
	1994	111,866	23,296		363

### Notes:

- (1) Each Named Executive Officer is entitled, pursuant to his or her employment agreement, to receive an annual bonus in an amount determined by the board of directors (the "Board") based on such officer's performance in achieving or exceeding specific goals set annually for the officers and on the Corporation's overall performance, payable at the option of the Named Executive Officer in cash or shares of the Corporation. Mr. Begg has elected to receive his bonus payments in shares of the Corporation.
- (2) The amounts shown in this column reflect the amount of contributions to each Named Executive Officer's Registered Retirement Savings Plan which were funded by the Corporation (on the same basis as is available to all Working Ventures' employees).
- (3) The amounts shown in this column reflect the dollar value of premiums paid during the year by the Corporation for term life insurance for the Named Executive Officer (on the same basis as is available to all Working Ventures' employees) and payments under the Incentive Compensation Plan. Mr. Begg has elected to receive his payments under the Incentive Compensation Plan in shares of the Corporation.

### *Incentive Compensation Plan*

In 1990, the Board adopted an investment performance incentive compensation plan (the "Incentive Compensation Plan") which entitles qualifying employees ("Participants"), including the President, the Senior Vice-President, Investments and other Investment Department personnel, to receive annual incentive payments based upon the return earned on the Corporation's investments other than investments in the liquid portfolio (the "Venture Investments"). Such return is calculated by comparing the investment income earned on the Venture Investments (including interest income, dividends, fees and realized capital gains) to the cost of such investments. Participants will only be entitled to payments under the Incentive Compensation Plan if the Corporation earns a return on its Venture Investments in excess of the threshold rate of return. The threshold rate of return is equal to the annual rate of return published in the Bank of Canada Review for mid-term average bond yields for Government of Canada securities plus 3%. Aggregate payments under the Incentive Compensation Plan are limited to 20% of the amount by which the return on Venture Investments exceeds the threshold rate of return.

Under the Incentive Compensation Plan, the first \$200,000,000 of investments have been allocated to pools, each of which has an aggregate acquisition cost of approximately \$50,000,000. Any payment in respect of the return earned on investments included in the pool will only be made if the return on all of the investments in the pool at the time of the payment exceeds the threshold rate of return. The Human Resources Committee of the Board allocates to the Participants interests in the pools. Payments to the Participants are calculated on the basis of allocations to each of them. In respect of the year ended August 31, 1996, Ronald A. Begg and James W. Hall were each allocated 30% of any payments in respect of the first pool of investments, 25% of any payments in respect of the second pool of investments and 22.5% of any payments in respect of the third and fourth pools. In addition, 10% of any payments in respect of each pool of investments is reserved for future allocations of units to the Participants. As a result, Messrs. Begg and Hall may receive additional allocations in respect of the pools of investments. The Human Resources Committee of the Board is currently considering alternative plans for incentive compensation in the future.

### *Employment Contracts*

Ronald A. Begg commenced employment with the Corporation as its President in 1989. Pursuant to his employment agreement, Mr. Begg is entitled to receive, in addition to his annual base salary, an annual performance bonus. This annual bonus is subject to a maximum of 25% of Mr. Begg's annual salary. If Mr. Begg's employment is terminated by the Corporation, other than for cause, Mr. Begg is entitled to 12 months' notice or, in lieu of such notice, an amount equal to 12 months' salary plus benefits.

Ronald J. Cannata commenced employment with the Corporation as its Vice-President, Administration in 1993. James W. Hall commenced employment with the Corporation as its Vice-President, Investments in 1990. Julia E. Makepeace commenced employment with the Corporation as its Vice-President, Marketing in 1989. Pursuant to their employment agreements, each of them is entitled to receive, in addition to his or her annual base salary, an annual performance bonus, which is subject to a maximum of 25% of his or her annual salary. If their employment is terminated by the Corporation, other than for cause, they are entitled to six months' notice or, in lieu of such notice, an amount equal to six months' salary plus benefits.

## **Composition of Human Resources Committee**

The Corporation's executive compensation program is administered by the Human Resources Committee. The Committee consists of Dr. Lloyd I. Barber, John E. Cole (Chair), Dr. Wendy Dobson and James A. McCambly. Other than James A. McCambly, who serves as Chairman of the Board, none of the members of the Committee is an officer or employee or former officer or employee of the Corporation or any of its associates. The mandate of the Committee is to review and recommend to the Board for approval the Corporation's executive compensation policies and the compensation paid to the President and other executive officers of the Corporation. The Committee also reviews the design and competitiveness of the Corporation's compensation and benefit programs generally.

## **Report on Executive Compensation**

### *Compensation Philosophy*

The Corporation's executive compensation program is designed to provide incentives for the enhancement of shareholder value, the successful implementation of the Corporation's annual business plans and the achievement of the Corporation's long-term goals. The program is based on a pay-for-performance philosophy and consists of three components: base salaries, annual performance bonuses and the Incentive Compensation Plan.

The program's overall objectives are: to attract and retain qualified executives critical to the success of the Corporation; to provide fair and competitive compensation to executive officers of the Corporation; to integrate compensation with the achievement of the Corporation's annual business plan and to align the interests of management with those of shareholders.

The Committee annually reviews, with the President, the compensation package and the performance of each executive officer of the Corporation. The Committee also recommends to the Board for approval the salary level and bonus entitlement of each executive officer of the Corporation. In addition, the Committee is responsible for the administration of the Incentive Compensation Plan.

As a means of assisting the Committee, the Corporation retains external consultants to provide advice on the Corporation's compensation programs, as needed.

### *Base Salary*

An executive officer's base salary is determined by an assessment of his or her sustained performance and consideration of compensation levels in the market in which the Corporation operates. Increases in executive officers' base salaries previously have generally been consistent with salary increases awarded to all employees of the Corporation.

### *Annual Performance Bonus*

Under employment agreements between the Corporation and each of the President, the Senior Vice-President, Administration and Treasurer, the Senior Vice-President, Investments and the Senior Vice-President, Marketing, those executive officers of the Corporation are entitled to receive annual performance bonuses in amounts determined by the Board based on the executive officers' performance in achieving or exceeding specific goals set annually for the executive officers and on the Corporation's overall performance, payable at the option of the executive officer in cash or shares. The bonus is subject to a maximum of 25% of the executive officer's annual base salary. Annual performance bonuses are paid after the end of the fiscal year of the Corporation to which they relate.



### *Incentive Compensation Plan*

The policies of the Committee with respect to the Incentive Compensation Plan and the awards made under the plan in the Corporation's fiscal year ended August 31, 1996 are as set out above under the heading "Executive Compensation—Incentive Compensation Plan". The Corporation made payments under the Incentive Compensation Plan totalling \$409,914 in respect of its fiscal year ended August 31, 1995, and totalling \$2,621,645 in respect of its fiscal year ended August 31, 1996, including the amounts paid to the Named Executive Officers as set out in the Summary Compensation Table.

### *President's Compensation*

The policies applicable to the calculation of the President's compensation are the same as for all other executive officers. For the year ended August 31, 1996, the President's compensation consisted of a base salary and a performance bonus, determined in the manner described under the headings "Base Salary" and "Annual Performance Bonus". In addition, the President received payments under the Incentive Compensation Plan as outlined in the Summary Compensation Table. The President's compensation for the most recently completed financial year of the Corporation was comparable to the compensation of chief executive officers having similar responsibilities.

The foregoing report has been submitted on behalf of Dr. Lloyd I. Barber, John E. Cole (Chair), Dr. Wendy K. Dobson and James A. McCambly as members of the Human Resources Committee.

### **Compensation of Directors**

During the past fiscal year, each director of the Corporation, other than the President, was entitled to receive a fee of \$600 per day for each Board or Board committee meeting personally attended. Where a director participated in a meeting by telephone, he or she was entitled to a fee of \$300 per day. Directors of the Corporation, other than the President, also received an annual fee of \$7,500. Any director of the Corporation who chaired a Board committee was entitled to an additional annual fee of \$2,000, and all directors were reimbursed for expenses incurred in attending Board and Board committee meetings.

During the fiscal year ended August 31, 1996, the Board met 6 times, the Investment Committee met 31 times, and the other Committees met a total of 17 times. The aggregate cash compensation paid by the Corporation during the fiscal year to directors in their capacity as directors was \$257,767. In recognition of their responsibilities, the Chairman of the Board, Mr. James McCambly, received an additional fee of \$42,333 and the Chair of the Investment Committee, Mr. George Fells, received an additional fee of \$18,000.

### **Directors' and Officers' Liability Insurance**

The Corporation provides insurance for the benefit of the directors and officers of the Corporation and its subsidiaries against liability incurred by them in their capacities as directors and officers. The current annual policy limit is \$3,000,000 in the aggregate for all directors and officers. Protection is provided to directors and officers for wrongful acts or omissions done or committed during the course of their duties. The insurance excludes from coverage, illegal acts and acts which result in personal profits. Under the insurance coverage, the Corporation is reimbursed for payments for which it is required to indemnify its directors and officers, subject to a deductible of \$100,000 per loss, and individual directors and officers are directly reimbursed, without the imposition of any deductible, for losses incurred in their

capacities as directors and officers. The premium for the fiscal year ended August 31, 1996 was \$37,782 and was paid by the Corporation.

### **Appointment of Auditors**

Management proposes that Ernst & Young, Chartered Accountants, be re-appointed as auditors of the Corporation to hold office until the next annual meeting of shareholders and that the directors be authorized to fix the remuneration of the auditors.

### **Corporate Governance**

The Toronto Stock Exchange (the "TSE") Committee on Corporate Governance in Canada has issued guidelines (the "TSE Guidelines") for effective corporate governance and requires Canadian companies with securities listed on the TSE to disclose annually their corporate governance practices. The TSE Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. While the Corporation is not subject to the TSE's rules, the Corporation's Board of Directors and senior management consider good corporate governance to be central to the effective and efficient operation of the Corporation and have examined the Corporation's corporate governance practices in light of the TSE Guidelines. Responsibility for corporate governance issues has been assigned to the Audit Committee of the Board.

One important aspect of corporate governance is the composition of a corporation's board of directors. In contrast to those corporations subject to the TSE Guidelines, provisions of the *Income Tax Act* (Canada) applicable to Working Ventures as a registered labour sponsored venture capital corporation require at least half of Working Ventures' directors to be elected by its sponsor, the Canadian Federation of Labour. In fact, Working Ventures' articles provide for 11 of its 13 directors to be elected by the Canadian Federation of Labour. Of these 11 directors, the Canadian Federation of Labour elects 7 directors from its affiliated unions, the President of Working Ventures and 3 directors from other areas of the private sector. The Human Resources Committee of the Board has a mandate to recommend to the Board candidates for nomination as the 5 directors from other areas of the private sector and engages search consultants from time to time to assist in the identification of suitable potential directors. The Chairman of the Board is independent of management.

Committees of the Board are composed entirely of non-management directors; management participates in Board committees only on an ex-officio basis.

The Human Resources Committee is responsible for assessing annually the effectiveness of the Board and its committees and the contribution of directors. The Human Resources Committee also reviews directors' compensation annually. To assist them in discharging their duties, new directors are given a thorough briefing.

The Board is responsible for the stewardship of Working Ventures including reviewing strategic plans, communication strategies, risk identification and management. Through its Human Resources Committee and Audit Committee, respectively, the Board is responsible for succession planning, and monitoring the performance and the effectiveness of executives and directors, and for reviewing internal control and management information systems.

In the context of its governing legislation and unique circumstances, Working Ventures regularly assesses its corporate governance practices to determine whether they align with current norms and, where appropriate, amends its practices to align with current norms.

## Special Resolution to Increase Paid-up Capital

As in prior years, the Corporation intends to capitalize annually sufficient amounts of its capital gains and interest and other investment income where desirable to permit the Corporation to minimize taxes payable by the Corporation. Until the Corporation has issued Class C shares, the Corporation proposes to effect the capitalization by increasing the paid-up capital of the Class A shares. Following the issuance of Class C shares, the capitalization will be effected by increasing the paid-up capital of the Class A shares and Class C shares on a pro-rata basis. The amount of any increase in the paid-up capital of the Class A shares will entitle the Corporation to a refund of tax otherwise payable on its interest and other investment income or realized capital gains, as the case may be.

The Corporation proposes to capitalize income at appropriate intervals on or before May 31, August 31, and November 30, 1997, and February 28, 1998 in an aggregate amount equal to an estimate of the amount which would allow the Corporation, pursuant to subsection 129(1) of the *Income Tax Act* (Canada), to the extent desirable in order to permit the Corporation to obtain a refund up to the maximum refund of tax otherwise payable on its income for its taxation year ending February 28, 1998. The Corporation proposes to capitalize further amounts at appropriate intervals on or before May 31, August 31 and November 30, 1997 and February 28, 1998 which in the aggregate equal an estimate of the amount which would allow the Corporation, pursuant to subsection 131(2) of the *Income Tax Act* (Canada), to the extent desirable in order to permit the Corporation to obtain the maximum refund in respect of tax paid in respect of its capital gains for its taxation year ending February 28, 1998. Each amount to be capitalized will be estimated by the Senior Vice-President, Administration and Treasurer of the Corporation and approved by the President of the Corporation.

The maximum amount of the refund to which the Corporation will be entitled under subsection 129(1) of the *Income Tax Act* (Canada) is an amount equal to the Corporation's refundable dividend tax on hand. The Corporation's refundable dividend tax on hand is a cumulative amount equal to a portion of the unrefunded income tax paid on the Corporation's interest and investment income, other than capital gains. Detailed rules in the *Income Tax Act* (Canada) govern the calculation of the Corporation's refundable dividend tax on hand.

The maximum amount of the refund to which the Corporation will be entitled under subsection 131(2) of the *Income Tax Act* (Canada) is an amount equal to the Corporation's refundable capital gains tax on hand at the end of the year. The Corporation's refundable capital gains tax on hand is a cumulative amount equal to the unrefunded federal tax paid on the Corporation's realized capital gains. Detailed rules in the *Income Tax Act* (Canada) govern the calculation of the Corporation's refundable capital gains tax on hand.

For purposes of the *Income Tax Act* (Canada), the amounts capitalized will be treated as a dividend paid on the Class A shares. As a result, a Class A shareholder's proportionate share of the amount capitalized will (except as described below) be included in the holder's income and subject to the gross-up and dividend tax credit rules in the *Income Tax Act* (Canada). The Corporation will designate as a capital gains dividend the amount of the deemed dividend resulting from the capitalization of income to obtain a refund of its refundable capital gains tax on hand. The amount designated as a capital gains dividend will be treated as a capital gain of the holders of Class A shares.



A holder of a Class A share will not receive any cash distribution in respect of the deemed dividend. Accordingly, an individual holder may be liable to pay tax in respect of the deemed dividend or the capital gains dividend even though the holder will not have received a cash distribution from the Corporation with which to pay the tax.

A holder of a Class A share which is a Registered Retirement Savings Plan trust or a Registered Retirement Income Fund trust is exempt from tax on the amount of any deemed dividend or capital gains dividend.

For the purposes of the *Canada Business Corporations Act*, the capitalization of income results in a corresponding increase in the stated capital account maintained by the Corporation in respect of the Class A shares. Under that Act, the Corporation is required to obtain the approval of its shareholders by way of a special resolution to any increase in the stated capital account in respect of its Class A shares. For the purpose of satisfying this requirement, it is proposed that a special resolution in the form attached hereto as Schedule A be passed. The special resolution must be passed by at least two-thirds of the votes cast by the holders of the Class A shares and the holder of the Class B shares of the Corporation at the Meeting.

**The Board unanimously recommends that the holders of the Class A shares and the holder of the Class B shares vote to adopt the special resolution.**

Assuming all necessary shareholder approvals are given at the Meeting, the special resolution will become effective, and the Corporation will, to the extent determined desirable by management of the Corporation, increase the paid-up capital of its Class A shares on or before May 31, August 31 and November 30, 1997 and February 28, 1998 by an amount determined in respect of its taxation year ending February 28, 1998.

#### **Other Matters**

As at September 27, 1996, management knows of no matters to come before the Meeting other than the matters referred to in the notice of meeting. If any other matters which are not known to management should properly come before the Meeting, the persons named on the enclosed form of proxy are authorized to vote in accordance with their discretion on such matters.

#### **Directors' Approval**

The contents and sending of the notice of meeting and this management information circular have been approved by the Board.

DATED this 27th day of September, 1996.



SUSAN M. SILMA  
General Counsel and Secretary

**Schedule A to the  
Management Information Circular of  
Working Ventures Canadian Fund Inc.**

RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF THE CLASS A SHARES AND THE HOLDER OF THE CLASS B SHARES THAT:

1. The following actions are approved:

- (a) The addition on or before May 31, 1997 to the stated capital account maintained by the Corporation in respect of its Class A Shares of amounts in the aggregate not exceeding one-quarter of an estimate of the amount which would allow the Corporation to obtain, for the taxation year of the Corporation ending on February 28, 1998, the maximum refund under subsection 129(1) of the *Income Tax Act* (Canada).
- (b) The addition on or before May 31, 1997 to the stated capital account maintained by the Corporation in respect of its Class A Shares of amounts in the aggregate not exceeding one-quarter of an estimate of the amount which would allow the Corporation to obtain, for the taxation year of the Corporation ending on February 28, 1998, the maximum refund under subsection 131(2) of the *Income Tax Act* (Canada).
- (c) The addition on or before August 31, 1997 to the stated capital account maintained by the Corporation in respect of its Class A Shares of amounts in the aggregate which, when added to any other additions made to such stated capital account since March 1, 1997, do not exceed one-half of an estimate of the amount which would allow the Corporation to obtain, for the taxation year of the Corporation ending on February 28, 1998, the maximum refund under subsection 129(1) of the *Income Tax Act* (Canada).
- (d) The addition on or before August 31, 1997 to the stated capital account maintained by the Corporation in respect of its Class A Shares of amounts in the aggregate which, when added to any other additions made to such stated capital account since March 1, 1997, do not exceed one-half of an estimate of the amount which would allow the Corporation to obtain, for the taxation year of the Corporation ending on February 28, 1998, the maximum refund under subsection 131(2) of the *Income Tax Act* (Canada).
- (e) The addition on or before November 30, 1997 to the stated capital account maintained by the Corporation in respect of its Class A Shares of amounts in the aggregate which, when added to any other additions made to such stated capital account since March 1, 1997, do not exceed three-quarters of an estimate of the amount which would allow the Corporation to obtain, for the taxation year of the Corporation ending on February 28, 1998, the maximum refund under subsection 129(1) of the *Income Tax Act* (Canada).



- (f) The addition on or before November 30, 1997 to the stated capital account maintained by the Corporation in respect of its Class A Shares of amounts in the aggregate which, when added to any other additions made to such stated capital account since March 1, 1997, do not exceed three-quarters of an estimate of the amount which would allow the Corporation to obtain, for the taxation year of the Corporation ending on February 28, 1998, the maximum refund under subsection 131(2) of the *Income Tax Act* (Canada).
  - (g) The addition on or before February 28, 1998 to the stated capital account maintained by the Corporation in respect of its Class A Shares of amounts in the aggregate which, when added to any other additions made to such stated capital account since March 1, 1997, do not exceed an estimate of the amount which would allow the Corporation to obtain, for the taxation year ending on February 28, 1998, the maximum refund under subsection 129(1) of the *Income Tax Act* (Canada).
  - (h) The addition on or before February 28, 1998 to the stated capital account maintained by the Corporation in respect of its Class A Shares of amounts in the aggregate which, when added to any other additions made to such stated capital account since March 1, 1997, do not exceed an estimate of the amount which would allow the Corporation to obtain, for the taxation year ending on February 28, 1998, the maximum refund under subsection 131(2) of the *Income Tax Act* (Canada).
- 2. The amount of the additions, if any, to the stated capital account maintained by the Corporation in respect of its Class A Shares to be made by the Corporation on or before each of May 31, August 31, and November 30, 1997 and February 28, 1998, shall be determined by the Senior Vice-President, Administration and Treasurer of the Corporation and approved by the President of the Corporation where desirable to permit the Corporation to obtain the tax refunds referred to in paragraph 1 of this resolution.
  - 3. Any director or officer of the Corporation is hereby authorized to sign all documents and do all things necessary or desirable to give effect to this resolution.



